

MONARCH CASINO & RESORT INC
Form 8-K
October 24, 2007

**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 24, 2007

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) | (IRS Employer Identification No.) |

| | |
|--|------------|
| 3800 South Virginia Street, Reno, Nevada | 89502 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (775) 335-4600

Not applicable.
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition

On October 24, 2007, Monarch Casino & Resort, Inc. issued a press release announcing its financial results for the third quarter ended September 30, 2007. A copy of the press release is attached to this Current Report as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

Exhibits.

99.1 Press Release, dated October 24, 2007, issued by Monarch Casino & Resort, Inc.

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SIGNATURES

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

Monarch Casino and Resort, Inc.

Date: October 24, 2007

/s/ Ronald Rowan
Ronald Rowan
Chief Financial Officer and Treasurer

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MONARCH CASINO REPORTS RECORD RESULTS

- **Net revenue of \$43.6 million**
- **Income from operations of \$11.7 million**
- **EBITDA(1) of \$13.7 million**
- **Diluted EPS of 41 cents**

RENO, NV - October 24, 2007 - Monarch Casino & Resort, Inc. (NASDAQ: MCRI) (the "Company"), owner of the Atlantis Casino Resort Spa in Reno, Nevada, today announced record quarterly results for casino and food and beverage gross revenue, net revenue, income from operations, EBITDA (1) and diluted EPS.

The Company reported record quarterly net revenue of \$43.6 million, a 4.5% increase over the third quarter of 2006, driven primarily by quarterly records for gross revenue from its casino and food and beverage operations of \$29.9 million and \$11.0 million, respectively. Gross revenue from the hotel operation of \$8.0 million was slightly lower than prior year's third quarter all-time record of \$8.1 million.

The Company announced quarterly income from operations of \$11.7 million, EBITDA(1) of \$13.7 million and diluted EPS of 41 cents, each of which was also the highest ever reported for any quarter. The Company's operating margin of 26.9% was consistent with the 26.8% operating margin reported for the third quarter of the prior year.

The Company remained debt-free during the quarter, funded approximately \$11.0 million of expenditures related to its ongoing expansion and the remodeling of its existing facilities, and increased its cash balance to \$52.9 million, an increase of \$15.9 million from the \$37.0 million balance at December 31, 2006.

When asked about the Company's performance, Monarch's CEO and Co-Chairman John Farahi commented: "We delivered another record quarter despite softness in the Reno gaming market and disruption from the construction of our ongoing expansion project. We are very proud of our team for delivering these results in the face of this challenging market and operating environment." With respect to the Company's expansion project, Mr. Farahi added, "The expansion we began constructing in the second quarter of this year is progressing according to plan and remains on track for completion in the second quarter of 2008."

Monarch Casino & Resort, Inc., through its wholly-owned subsidiary, owns and operates the tropically-themed Atlantis Casino Resort Spa 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 features a Sky Terrace, a unique structure rising approximately 55 feet above street level and spanning 160 feet across Virginia 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 and growth. Currently, the Company uses the land 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 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 and (iii) construction progress disruption and completion. 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: Ron Rowan, CFO at (775) 825-4700 or rrowan@monarchcasino.com
John Farahi, CEO at (775) 825-4700 or JohnFarahi@monarchcasino.com*

For additional information visit Monarch's web site at monarchcasino.com.

(1) "EBITDA" consists of net income plus provision for income taxes, interest expense, depreciation and amortization less interest income. 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, as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) or 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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Monarch Casino & Resort, Inc.
Condensed Consolidated Statements of Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------|------------------------------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | |
| Casino | \$ 29,936,988 | \$ 27,716,814 | \$ 84,512,978 | \$ 77,621,373 |
| Food and beverage | 11,011,808 | 10,889,609 | 32,084,196 | 30,769,768 |
| Hotel | 8,002,564 | 8,101,167 | 21,857,687 | 20,580,811 |
| Other | 1,229,521 | 1,254,264 | 3,703,972 | 3,648,862 |
| Gross revenues | 50,180,881 | 47,961,854 | 142,158,833 | 132,620,814 |
| Less promotional allowances | (6,557,585) | (6,213,477) | (19,192,626) | (17,644,527) |
| Net revenues | 43,623,296 | 41,748,377 | 122,966,207 | 114,976,287 |
| Operating expenses | | | | |
| Casino | 9,232,990 | 8,991,885 | 26,970,411 | 25,483,766 |
| Food and beverage | 5,381,681 | 5,143,751 | 15,217,367 | 14,634,537 |
| Hotel | 2,161,564 | 2,206,631 | 6,416,669 | 6,312,500 |
| Other | 386,056 | 384,033 | 1,127,113 | 1,116,317 |
| Selling, general and administrative | 12,731,275 | 11,681,175 | 37,054,086 | 35,156,852 |
| Depreciation and amortization | 1,982,184 | 2,139,592 | 6,122,600 | 6,430,831 |
| Total operating expenses | 31,875,750 | 30,547,067 | 92,908,246 | 89,134,803 |
| Income from operations | 11,747,546 | 11,201,310 | 30,057,961 | 25,841,484 |
| Other income (expense) | | | | |
| Interest income | 568,462 | 154,230 | 1,385,883 | 190,732 |
| Interest expense | - | (15,401) | (152,274) | (74,845) |
| Total other income (expense) | 568,462 | 138,829 | 1,233,609 | 115,887 |
| Income before income taxes | 12,316,008 | 11,340,139 | 31,291,570 | 25,957,371 |
| Provision for income taxes | (4,280,000) | (3,969,098) | (10,860,000) | (8,996,000) |
| Net income | \$ 8,036,008 | \$ 7,371,041 | \$ 20,431,570 | \$ 16,961,371 |
| <i>Earnings per share of common stock:</i> | | | | |
| Net income | | | | |
| Basic | \$ 0.42 | \$ 0.39 | \$ 1.07 | \$ 0.89 |
| Diluted | \$ 0.41 | \$ 0.38 | \$ 1.06 | \$ 0.88 |
| Weighted average number of common shares and potential common shares outstanding: | | | | |
| Basic | 19,079,062 | 19,058,896 | 19,080,347 | 18,965,694 |
| Diluted | 19,366,043 | 19,245,639 | 19,352,064 | 19,263,869 |

Monarch Casino & Resort, Inc.

Condensed Consolidated Balance Sheets

| | September 30, 2007 (UNAUDITED) | December 31, 2006 |
|--|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 52,949,354 | \$ 36,985,187 |
| Receivables, net | 4,590,222 | 3,268,970 |
| Inventories | 1,478,542 | 1,471,667 |
| Prepaid expenses | 3,572,182 | 2,833,126 |
| Deferred income taxes | 1,547,144 | 965,025 |
| Total current assets | 64,137,444 | 45,523,975 |
| Property and equipment | | |
| Land | 10,339,530 | 10,339,530 |
| Land improvements | 3,166,107 | 3,166,107 |
| Buildings | 78,955,538 | 78,955,538 |
| Building improvements | 10,435,062 | 10,435,062 |
| Furniture and equipment | 71,746,192 | 72,708,061 |
| Leasehold improvements | 1,346,965 | 1,346,965 |
| | 175,989,394 | 176,951,263 |
| Less accumulated depreciation and amortization | (90,245,245) | (84,325,578) |
| | 85,744,149 | 92,625,685 |
| Construction in progress | 10,968,149 | - |
| Net property and equipment | 96,712,298 | 92,625,685 |
| Other assets, net | 84,822 | 231,247 |
| Total assets | \$ 160,934,564 | \$ 138,380,907 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 8,053,256 | \$ 8,590,669 |
| Construction payable | 1,525,987 | - |
| Accrued expenses | 8,770,601 | 9,878,851 |
| Federal income taxes payable | 1,371,747 | 16,457 |
| Total current liabilities | 19,721,591 | 18,485,977 |
| Deferred income taxes | 3,708,614 | 4,248,614 |
| Total liabilities | 23,430,205 | 22,734,591 |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued | - | - |
| Common stock, \$.01 par value, 30,000,000 shares authorized; 19,096,300 shares issued; 19,067,518 outstanding at 9/30/07 | | |
| 19,065,968 outstanding at 12/31/06 | 190,963 | 190,726 |
| Additional paid-in capital | 25,285,175 | 23,205,045 |
| Treasury stock, 28,782 shares at 9/30/07 | | |
| 6,582 shares at 12/31/06, at cost | (678,039) | (24,145) |
| Retained earnings | 112,706,260 | 92,274,690 |
| Total stockholders' equity | 137,504,359 | 115,646,316 |
| Total liability and stockholder's equity | \$ 160,934,564 | \$ 138,380,907 |

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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, | |
|-----------------------------|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2007 (unaudited) | 2006 (unaudited) | 2007 (unaudited) | 2006 (unaudited) |
| Net income | \$ 8,036,008 | \$ 7,371,041 | \$ 20,431,570 | \$ 16,961,371 |
| Adjustments | | | | |
| Provision for income taxes | 4,280,000 | 3,969,098 | 10,860,000 | 8,996,000 |
| Interest expense | - | 15,401 | 152,274 | 74,845 |
| Depreciation & amortization | 1,982,184 | 2,139,592 | 6,122,600 | 6,430,831 |
| Interest income | (568,462) | (154,230) | (1,385,883) | (190,732) |
| EBITDA (1) (unaudited) | \$ 13,729,730 | \$ 13,340,902 | \$ 36,180,561 | \$ 32,272,315 |

(1) "EBITDA" consists of net income plus provision for income taxes, interest expense, depreciation and amortization less interest income. 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, as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) or 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.