

MONARCH CASINO & RESORT INC

Form 10-Q

November 08, 2011

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United States
Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File No. 0-22088

MONARCH CASINO & RESORT, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

88-0300760
(I.R.S. Employer
Identification No.)

3800 S. Virginia St.
Reno, Nevada
(Address of Principal Executive Offices)

89502
(ZIP Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

(775) 335-4600

(Registrant's telephone number, including area code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes x No o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes x No o**

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$0.01 par value
Class

16,138,158 shares
Outstanding at October 31, 2011

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Monarch Casino & Resort, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Casino	\$ 24,147,082	\$ 26,039,912	\$ 73,436,721	\$ 75,214,951
Food and beverage	11,071,950	10,595,591	32,097,706	30,949,116
Hotel	6,332,818	6,361,763	16,827,480	17,471,295
Other	1,997,541	2,075,795	5,827,587	5,910,951
Gross revenues	43,549,391	45,073,061	128,189,494	129,546,313
Less promotional allowances	(7,375,005)	(7,392,963)	(21,569,419)	(21,358,767)
Net revenues	36,174,386	37,680,098	106,620,075	108,187,546
Operating expenses				
Casino	9,573,416	9,822,885	28,639,455	28,676,670
Food and beverage	5,228,370	4,955,400	14,820,495	13,976,186
Hotel	1,554,277	1,570,286	4,551,768	4,621,108
Other	723,890	745,261	2,177,067	2,151,185
Selling, general and administrative	12,109,242	12,785,043	34,290,477	35,757,641
Depreciation and amortization	3,314,598	3,394,258	10,144,999	9,919,984
Adventure Inn demolition	3,519,148		3,519,148	
Total operating expenses	36,022,941	33,273,133	98,143,409	95,102,774
Income from operations	151,445	4,406,965	8,476,666	13,084,772
Interest expense	(160,237)	(334,028)	(643,505)	(1,142,303)
(Loss) income before income taxes	(8,792)	4,072,937	7,833,161	11,942,469
Benefit (provision) for income taxes	20,071	(1,407,000)	(2,724,600)	(4,174,055)
Net income	\$ 11,279	\$ 2,665,937	\$ 5,108,561	\$ 7,768,414
Earnings per share of common stock				
Net income				
Basic	\$ 0.00	\$ 0.17	\$ 0.32	\$ 0.48
Diluted	\$ 0.00	\$ 0.17	\$ 0.31	\$ 0.48
Weighted average number of common shares and potential common shares outstanding				
Basic	16,138,158	16,132,531	16,138,158	16,129,017
Diluted	16,234,443	16,209,724	16,226,844	16,194,332

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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MONARCH CASINO & RESORT, INC.

Condensed Consolidated Balance Sheets

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,900,776	\$ 13,800,604
Receivables, net	2,481,418	3,269,250
Federal income tax receivable	799,681	99,202
Inventories	1,907,343	1,883,816
Prepaid expenses and other current assets	6,652,113	2,553,341
Deferred income taxes	999,908	1,384,443
Total current assets	23,741,239	22,990,656
Property and equipment		
Land	13,172,522	13,172,522
Land improvements	4,026,175	3,891,990
Buildings	135,643,299	139,843,299
Building improvements	10,973,521	10,766,414
Furniture and equipment	116,313,681	112,847,107
Leasehold improvements	1,346,965	1,346,965
	281,476,163	281,868,297
Less accumulated depreciation and amortization	(134,789,021)	(125,437,458)
Net property and equipment	146,687,142	156,430,839
Other assets, net	359,278	312,043
Total assets	\$ 170,787,659	\$ 179,733,538
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,919,016	\$ 10,216,495
Accrued expenses	13,202,003	14,077,344
Total current liabilities	21,121,019	24,293,839
Long-term debt	16,000,000	28,600,000
Deferred income taxes	3,224,762	3,384,218
Other long term liabilities	873,872	873,872
Total liabilities	41,219,653	57,151,929
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; 16,138,158 outstanding at September 30, 2011 and December 31, 2010	190,963	190,963
Additional paid-in capital	32,797,664	31,558,693
Treasury stock, 2,958,142 shares at September 30, 2011 and December 31, 2010, at cost	(48,541,663)	(48,541,663)
Retained earnings	145,121,042	139,373,616
Total stockholders' equity	129,568,006	122,581,609
Total liability and stockholders' equity	\$ 170,787,659	\$ 179,733,538

The Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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MONARCH CASINO & RESORT, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 5,108,561	\$ 7,768,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,144,999	9,919,984
Amortization of deferred loan costs	193,184	193,184
Share based compensation	1,238,972	1,221,370
Provision for bad debts	(81,595)	705,450
Loss (gain) on demolition and disposal of assets	3,428,500	(16,000)
Deferred income taxes	225,079	321,450
Changes in operating assets and liabilities:		
Receivables	869,427	(2,016,867)
Inventories	(23,527)	(93,350)
Prepaid expenses and other current assets	(298,772)	172,978
Accounts payable	(2,297,479)	(2,011,469)
Accrued expenses	(236,478)	1,684,697
Federal income taxes	(700,479)	(1,097,395)
Net cash provided by operating activities	17,570,392	16,752,446
Cash flows from investing activities:		
Proceeds from sale of assets	1,500	16,000
Acquisition of property and equipment	(3,831,301)	(3,940,403)
Acquisition deposit	(3,800,000)	
Net cash used in investing activities	(7,629,801)	(3,924,403)
Cash flows from financing activities:		
Proceeds from exercise of stock options		95,372
Principal payments on long-term debt	(16,600,000)	(16,500,000)
Borrowings under credit facility	4,000,000	
Loan commitment fees	(240,419)	
Net cash used in financing activities	(12,840,419)	(16,404,628)
Net decrease in cash	(2,899,828)	(3,576,585)
Cash and cash equivalents at beginning of period	13,800,604	14,420,323
Cash and cash equivalents at end of period	\$ 10,900,776	\$ 10,843,738
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 395,592	\$ 896,648
Cash paid for income taxes	\$ 3,200,000	\$ 4,950,000