

FULL HOUSE RESORTS INC
Form 10-Q
November 10, 2016

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, 2016

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. 1-32583

FULL HOUSE RESORTS, INC.
(Exact name of registrant as specified in its charter)
Delaware 13-3391527
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

4670 S. Fort Apache Road, Ste. 190 89147
Las Vegas, Nevada (Zip Code)
(Address of principal executive offices) (702) 221-7800
(Registrant’s telephone number, including area code)

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 No

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 No

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

Large Accelerated Filer Accelerated Filer
Non Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 10, 2016, there were 22,864,963 shares of Common Stock, \$0.0001 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenues				
Casino	\$37,460	\$30,577	\$97,897	\$84,374
Food and beverage	8,282	6,891	21,438	19,053
Hotel	2,361	2,020	6,488	4,836
Other operations	1,253	1,208	3,096	2,890
Gross revenues	49,356	40,696	128,919	111,153
Less promotional allowances	(7,600)	(6,430)	(20,309)	(17,077)
Net revenues	41,756	34,266	108,610	94,076
Operating costs and expenses				
Casino	19,814	15,600	50,574	43,569
Food and beverage	2,817	2,282	7,090	6,632
Hotel	297	248	768	678
Other operations	475	372	1,236	1,023
Selling, general and administrative	12,808	9,570	36,650	30,763
Project development and acquisition costs	130	730	902	894
Depreciation and amortization	2,203	2,203	5,795	6,225
Loss on disposal of assets, net	309	—	309	—
	38,853	31,005	103,324	89,784
Operating income	2,903	3,261	5,286	4,292
Other (expense) income				
Interest expense, net of amounts capitalized	(2,748)	(1,829)	(6,740)	(4,876)
Debt modification costs	(24)	—	(624)	—
Adjustment to fair value of warrants and other	181	—	(60)	12
	(2,591)	(1,829)	(7,424)	(4,864)
Income (loss) before income taxes	312	1,432	(2,138)	(572)
Provision (benefit) for income taxes	177	(603)	458	(425)
Net income (loss)	\$135	\$2,035	\$(2,596)	\$(147)
Basic income (loss) per share	\$0.01	\$0.11	\$(0.14)	\$(0.01)
Diluted income (loss) per share	\$—	\$0.11	\$(0.14)	\$(0.01)

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets		
Cash and equivalents	\$ 23,082	\$ 14,574
Restricted cash	—	569
Accounts receivable, net of collection allowance of \$83 and \$121	1,557	1,714
Inventories	1,447	1,125
Prepaid expenses	3,952	2,800
Acquisition deposit	—	2,500
	30,038	23,282
Property and equipment, net	111,229	98,982
Other long-term assets		
Goodwill	21,279	16,480
Intangible assets, net of accumulated amortization of \$7,725 and \$7,701	11,145	2,127
Deposits and other	547	541
Deferred taxes	55	55
	33,026	19,203
	\$ 174,293	\$ 141,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,888	\$ 4,272
Accrued payroll and other	11,635	6,529
Deferred taxes	979	981
Current portion of long-term debt	1,688	6,000
Current portion of capital lease obligation	400	665
	18,590	18,447
Warrant liability	634	—
Deferred taxes	811	350
Long-term debt, net of current portion	94,584	60,642
Capital lease obligation, net of current portion	5,432	5,505
	120,051	84,944
Commitments and contingencies (Notes 7 and 9)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 20,375,404 and 20,325,991 issued; and 19,018,809 and 18,969,396 shares outstanding	2	2
Additional paid-in capital	46,536	46,221
Treasury stock, 1,356,595 common shares	(1,654) (1,654)
Retained earnings	9,358	11,954
	54,242	56,523
	\$ 174,293	\$ 141,467

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
 (In thousands)

	Common stock			Treasury stock		Retained Earnings	Total Stockholders' Equity
	Shares	Dollars	Additional Paid-in Capital	Shares	Dollars		
Balance, January 1, 2016	20,326	\$ 2	\$ 46,221	1,357	\$(1,654)	\$ 11,954	\$ 56,523
Stock-based compensation	49	—	315	—	—	—	315
Net loss	—	—	—	—	—	(2,596)	(2,596)
Balance, September 30, 2016	20,375	\$ 2	\$ 46,536	1,357	\$(1,654)	\$ 9,358	\$ 54,242

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$(2,596)	\$(147)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	5,771	4,727
Amortization of debt issuance costs and other	864	1,218
Amortization of player loyalty program, land lease and water rights	24	1,498
Tribal advance collection allowance reduction	—	(250)
Loss on disposal of assets	354	—
Stock-based compensation	315	285
Change in fair value of stock warrants	60	—
Increases and decreases in operating assets and liabilities:		
Accounts receivable, net	(93)	(1,267)
Income tax receivable	—	2,336
Prepaid expenses, inventories and other	(1,267)	(1,449)
Deferred taxes	459	268
Accounts payable and accrued expenses	2,425	(1,624)
Net cash provided by operating activities	6,316	5,595
Cash flows from investing activities:		
Acquisition of Bronco Billy's, net of cash acquired	(28,369)	—
Purchase of property and equipment	(1,736)	(10,021)
Restricted cash	569	(569)
Refunded deposits and other, net	2,861	(3,177)
Net cash used in investing activities	(26,675)	(13,767)
Cash flows from financing activities:		
First Term Loan (repayments) borrowings	(2,125)	8,869
Revolving Loan repayments	(2,000)	(1,500)
Second Term Loan borrowings	35,000	—
Repayment of capital lease obligation	(338)	(573)
Debt issuance costs and other	(1,670)	(325)
Net cash provided by financing activities	28,867	6,471
Net increase (decrease) in cash and equivalents	8,508	(1,701)
Cash and equivalents, beginning of period	14,574	15,639
Cash and equivalents, end of period		