

Edgar Filing: MONARCH CASINO & RESORT INC - Form 8-K

MONARCH CASINO & RESORT INC  
Form 8-K  
April 27, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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): April 26, 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.)
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1175 W. Moana Lane, Suite 200 Reno, NEVADA (Address of Principal Executive Offices)	89509 (Zip Code)
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(775)825-3355

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(Registrant's telephone number, including area code)

NOT APPLICABLE

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(Former name or former address, if changed since last report)

ITEM 2.02 Results of Operations and Financial Condition

On April 26, 2006, Monarch Casino & Resort, Inc. (the "Company") issued a press release reporting the Company's financial results for the first quarter ended March 31, 2006. 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

99.1 Text of press release dated April 26, 2006.

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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: April 27, 2006

By: /s/ Ben Farahi

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

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Exhibit 99.1

PRESS RELEASE

NEW RECORD FIRST QUARTER RESULTS FOR MONARCH CASINO

- EBITDA (1) IMPROVES 15.5%, DILUTED EPS INCREASES 25.0%  
DESPITE IMPLEMENTATION OF SFAS 123R -

RENO, NV-April 26, 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 first quarter ended March 31, 2006.

The Company reported EBITDA (1) of \$9.5 million, a 15.5% improvement over the \$8.2 million EBITDA (1) reported for the first quarter of 2005. The

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improved EBITDA (1) beat published consensus analysts' estimate of \$9.2 million and was the result of record first quarter net revenues of \$35.6 million and better operating margins. The Company's operating margin for the period improved to 20.6% of net revenues from 19.6% of net revenues during the same period a year earlier. The record revenues were driven by a 15.4% increase in casino revenue, an 8.0% increase in both food and beverage and hotel revenues, and a 4.0% improvement in other revenues.

Record first quarter 2006 net income of \$4.8 million is a 23.7% increase from first quarter 2005 net income of \$3.9 million and translates into earnings per diluted share (EPS) of \$0.25 versus \$0.20 for the same period last year. The Company's first quarter 2006 diluted EPS beat the published consensus analysts' estimate of \$0.24.

The Company achieved record results despite implementing the requirements of SFAS 123R in the first quarter of 2006. The Company booked approximately \$548,000 in additional pre-tax equity compensation expense during the quarter as a result of implementing the provisions of SFAS 123R, which went into effect January 1, 2006. SFAS 123R requires fair value measurement and recognition in the financial statements for all share-based compensation arrangements. Excluding this share based compensation expense, the Company's reported after-tax earnings would have been \$0.27 per diluted share for the first quarter 2006, which would have been a 35% increase from the \$0.20 diluted EPS reported in the first quarter 2005. Had SFAS 123R been in effect during the first quarter 2005, pre-tax expenses for that period would have increased by approximately \$252,000.

Also during the first quarter of 2006, the Company became debt free, having paid off the \$8.1 million December 31, 2005 balance on its revolving credit facility. \$24 million remains available to be drawn down under the revolving credit facility should the Company require such funds.

John Farahi, Monarch's CEO and Co-Chairman commended his team for the positive results: "Our management continues to do a fabulous job of making the Atlantis one of the premier properties in northern Nevada. As a result, we benefit from the frequent repeat business of our established guests, and also attract fresh patronage from first time visitors, as well as locals who are new to the area. Circumstances that allow us to thrive and continue to be the foundation of our success are our location, strong local economy and the quality of the product and services we provide. But it is the vibrant hospitality, attention to detail, and tireless effort of our team members that maximize our potential. One measure of our success is our continuing strong

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flow through: This quarter we produced an increase to our net revenues by almost thirteen percent, yet our promotional allowances increased by less than eight percent." Mr. Farahi also observed: "Being debt free gives our Board even greater opportunity to explore corporate growth opportunities. At the same time, we continue work on our Atlantis expansion plans which are in the preliminary design phase."

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 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

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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 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.

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

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Revenues		
Casino.....	\$ 24,124,047	\$ 20,901,908
Food and beverage.....	9,744,817	9,026,336

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Hotel.....	6,033,935	5,588,152
Other.....	1,090,576	1,048,337
	-----	-----
Gross revenues.....	40,993,375	36,564,733
Less promotional allowances.....	(5,387,714)	(5,002,031)
	-----	-----
Net revenues.....	35,605,661	31,562,702
	-----	-----
Operating expenses		
Casino.....	8,012,162	7,534,847
Food and beverage.....	4,790,771	4,437,365
Hotel.....	2,103,723	2,027,873
Other.....	314,454	321,646
Selling, general, and administrative.....	10,841,486	8,809,293
Gaming development expense.....	43,765	204,398
Depreciation and amortization.....	2,146,758	2,038,200
	-----	-----
Total operating expenses.....	28,253,119	25,373,622
	-----	-----
Income from operations.....	7,352,542	6,189,080
	-----	-----
Other expense		
Interest expense.....	(59,444)	(305,374)
	-----	-----
Income before income taxes.....	7,293,098	5,883,706
Provision for income taxes.....	2,525,000	2,030,000
	-----	-----
Net income.....	\$ 4,768,098	\$ 3,853,706
	=====	=====
Earnings per share of common stock		
Net income		
Basic.....	\$ 0.25	\$ 0.20
Diluted.....	\$ 0.25	\$ 0.20
Weighted average number of common shares and potential common shares outstanding		
Basic.....	18,885,595	18,816,819
Diluted.....	19,252,277	19,043,546

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MONARCH CASINO & RESORT, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2006	December 31, 2005
	-----	-----
	(Unaudited)	
ASSETS		
Current assets		
Cash.....	\$ 12,010,163	\$ 12,886,494
Receivables, net.....	3,091,337	3,559,602
Federal income tax refund receivable.....	-	286,760

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Inventories.....	1,458,070	1,456,453
Prepaid expenses.....	2,537,300	2,401,619
Deferred income taxes.....	1,518,152	1,326,224
	-----	-----
Total current assets.....	20,615,022	21,917,152
	-----	-----
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.....	10,398,814	10,398,814
Furniture and equipment.....	68,826,326	67,393,755
Leasehold improvement.....	1,346,965	1,346,965
	-----	-----
	173,033,280	171,600,709
	-----	-----
Less accumulated depreciation and amortization..	(78,138,462)	(76,117,346)
	-----	-----
Net property and equipment.....	94,894,818	95,483,363
	-----	-----
Other assets, net.....	269,524	269,524
	-----	-----
Total assets.....	\$ 115,779,364	\$ 117,670,039
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable.....	6,761,798	7,335,630
Accrued expenses.....	7,590,609	8,722,221
Federal income taxes payable.....	2,548,782	-
	-----	-----
Total current liabilities.....	16,901,189	16,057,851
Long-term debt, less current maturities.....	-	8,100,000
Deferred income taxes.....	5,747,192	5,953,193
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; 18,885,595 outstanding at 03/31/2006, 18,879,310 outstanding at 12/31/2005.....	190,726	190,726
Additional paid-in capital.....	18,630,715	17,882,827
Treasury stock, 177,974 shares at 03/31/2006, 193,240 shares at 12/31/2005, at cost.....	(652,875)	(708,877)
Retained earnings.....	74,962,417	70,194,319
	-----	-----
Total stockholders' equity.....	93,130,983	87,558,995
	-----	-----
Total liabilities and stockholders' equity...	\$ 115,779,364	\$ 117,670,039
	=====	=====

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### RECONCILIATION OF NET INCOME TO EBITDA (1)

	Three Months Ended March 31,	
	2006 (unaudited)	2005 (unaudited)
Net income.....	\$4,768,098	\$3,853,706
Adjustments:		
Provision for income taxes.....	2,525,000	2,030,000
Interest expense.....	59,444	305,374
Depreciation and amortization....	2,146,758	2,038,200
EBITDA (1)	\$9,499,300	\$8,227,280

(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.