

ISLE OF CAPRI CASINOS INC
Form 10-Q
March 05, 2010

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 January 24, 2010

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 Number 0-20538

ISLE OF CAPRI CASINOS, INC.

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Delaware
(State or other jurisdiction of
incorporation or organization)

41-1659606
(I.R.S. Employer
Identification Number)

600 Emerson Road, Suite 300, Saint Louis, Missouri
(Address of principal executive offices)

63141
(Zip Code)

Registrant's telephone number, including area code: **(314) 813-9200**

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 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 a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of March 3, 2010, the Company had a total of 32,445,488 shares of Common Stock outstanding (which excludes 4,326,242 shares held by us in treasury).

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISLE OF CAPRI CASINOS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	January 24, 2010 (unaudited)	April 26, 2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 72,536	\$ 96,654
Marketable securities	20,050	17,548
Accounts receivable, net	8,462	11,935
Income taxes receivable	5,141	7,744
Deferred income taxes	13,233	16,295
Prepaid expenses and other assets	29,772	23,234
Assets held for sale		4,183
Total current assets	149,194	177,593
Property and equipment, net	1,117,227	1,177,540
Other assets:		
Goodwill	313,136	313,136
Other intangible assets, net	80,653	83,588
Deferred financing costs, net	7,579	9,314
Restricted cash	2,774	2,774
Prepaid deposits and other	22,605	18,717
Total assets	\$ 1,693,168	\$ 1,782,662
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 8,750	\$ 9,688
Accounts payable	24,643	16,246
Accrued liabilities:		
Interest	22,208	9,280
Payroll and related	41,600	47,209
Property and other taxes	21,015	31,487
Other	43,708	52,195
Liabilities related to assets held for sale		1,888
Total current liabilities	161,924	167,993
Long-term debt, less current maturities	1,223,277	1,291,384
Deferred income taxes	20,232	24,970
Other accrued liabilities	38,729	52,575
Other long-term liabilities	17,486	17,314
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued	368	361

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Common stock, \$.01 par value; 45,000,000 shares authorized; shares issued: 36,768,397 at January 24, 2010 and 36,111,089 at April 26, 2009

Class B common stock, \$.01 par value; 3,000,000 shares authorized; none issued

Additional paid-in capital	199,862	193,827
Retained earnings	93,670	101,828
Accumulated other comprehensive (loss) income	(10,273)	(15,191)
	283,627	280,825
Treasury stock, 4,326,242 shares at January 24, 2010 and 4,340,436 shares at April 26, 2009	(52,107)	(52,399)
Total stockholders' equity	231,520	228,426
Total liabilities and stockholders' equity	\$ 1,693,168	\$ 1,782,662

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 24, 2010	January 25, 2009	January 24, 2010	January 25, 2009
Revenues:				
Casino	\$ 229,520	\$ 246,717	\$ 742,957	\$ 769,931
Rooms	8,424	9,216	32,488	35,696
Pari-mutuel, food, beverage and other	31,240	32,240	98,821	101,147
Hurricane insurance recoveries		60,000		60,000
Gross revenues	269,184	348,173	874,266	966,774
Less promotional allowances	(42,199)	(46,354)	(143,525)	(143,628)
Net revenues	226,985	301,819	730,741	823,146
Operating expenses:				
Casino	36,472	37,382	115,474	112,370
Gaming taxes	60,529	63,335	191,056	196,839
Rooms	2,192	2,624	7,939	9,206
Pari-mutuel, food, beverage and other	10,717	12,011	33,126	37,903
Marine and facilities	14,392	15,319	46,148	48,202
Marketing and administrative	62,082	62,457	189,849	189,633
Corporate and development	11,127	9,039	33,412	32,570
Hurricane insurance recoveries		(32,179)		(32,179)
Expense recoveries and other charges, net			(6,762)	6,000
Depreciation and amortization	26,798	29,847	84,062	92,339
Total operating expenses	224,309	199,835	694,304	692,883
Operating income	2,676	101,984	36,437	130,263
Interest expense	(17,452)	(24,400)	(53,682)	(72,522)
Interest income	454	725	1,218	1,620
Income (loss) from continuing operations				
before income taxes	(14,322)	78,309	(16,027)	59,361
Income tax benefit (provision)	2,922	(30,044)	8,056	(23,682)
Income (loss) from continuing operations	(11,400)	48,265	(7,971)	35,679
Income (loss) from discontinued operations, including loss on sale, net of income taxes	775	(2,152)	(187)	(6,692)
Net income (loss)	\$ (10,625)	\$ 46,113	\$ (8,158)	\$ 28,987
Earnings (loss) per common share-basic:				
Income (loss) from continuing operations	\$ (0.35)	\$ 1.52	\$ (0.25)	\$ 1.14
Income (loss) from discontinued operations, including loss on sale, net of income taxes	0.02	(0.07)		(0.21)
Net income (loss)	\$ (0.33)	\$ 1.45	\$ (0.25)	\$ 0.93
Earnings (loss) per common share-diluted:				
Income (loss) from continuing operations	\$ (0.35)	\$ 1.52	\$ (0.25)	\$ 1.14
Income (loss) from discontinued operations, including loss on sale, net of income taxes	0.02	(0.07)		(0.21)
Net income (loss)	\$ (0.33)	\$ 1.45	\$ (0.25)	\$ 0.93

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Weighted average basic shares	32,438,809	31,765,365	32,179,233	31,240,008
Weighted average diluted shares	32,438,809	31,765,365	32,179,233	31,248,402

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands, except share amounts)

(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance, April 26, 2009	36,111,089	\$ 361	\$ 193,827	\$ 101,828	\$ (15,191)	\$ (52,399)	\$ 228,426
Net loss				(8,158)			(8,158)
Unrealized gain on interest rate swap contracts net of income taxes of \$2,735					4,569		4,569
Foreign currency translation adjustments					349		349
Comprehensive loss							(3,240)
Issuance of restricted stock, net of forfeitures	635,042	7	(7)				
Exercise of stock options	21,602		204				204
Issuance of deferred bonus shares	664		(292)			292	
Stock compensation expense			6,055				6,055
Other			75				75
Balance, January 24, 2010	36,768,397	\$ 368	\$ 199,862	\$ 93,670	\$ (10,273)	\$ (52,107)	\$ 231,520

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	January 24, 2010	January 25, 2009
Operating activities:		
Net income (loss)	\$ (8,158)	\$ 28,987
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	84,062	95,988
Amortization of deferred financing costs	1,735	1,922
Property insurance proceeds - Hurricane Katrina, net		(32,179)
Valuation charges and other	(6,762)	5,000
Deferred income taxes	(4,409)	23,709
Stock compensation expense	6,055	7,840
Deferred compensation expense	72	(851)
Loss (gain) on disposal of assets	696	(144)
Changes in operating assets and liabilities, net of dispositions:		
Sales (purchases) of trading securities	(2,502)	2,562
Accounts receivable	6,608	8,969
Income tax receivable	2,603	18,675
Prepaid expenses and other assets	(3,123)	500
Accounts payable and accrued liabilities	(7,103)	(10,035)
Net cash provided by operating activities	69,774	150,943
Investing activities:		
Purchase of property and equipment	(21,577)	(45,626)
Payments towards gaming license	(4,000)	(4,000)
Proceeds from sale of assets held for sale	653	
Property insurance proceeds - Hurricane Katrina, net		32,179
Decrease in restricted cash	(12)	(33,159)
Net cash used in investing activities	(24,936)	(50,606)
Financing activities:		
Principal payments on debt	(6,591)	(7,403)
Net payments on line of credit	(62,558)	(2,453)
Proceeds from exercise of stock options	204	110
Net cash used in financing activities	(68,945)	(9,746)
Effect of foreign currency exchange rates on cash		
	(11)	(668)
Net increase (decrease) in cash and cash equivalents	(24,118)	89,923
Cash and cash equivalents, beginning of period	96,654	91,790
Cash and cash equivalents, end of the period	\$ 72,536	\$ 181,713

See notes to the condensed consolidated financial statements.

ISLE OF CAPRI CASINOS, INC.

Notes to Condensed Consolidated Financial Statements

(amounts in thousands, except share and per share amounts)

(Unaudited)

1. Nature of Operations

Isle of Capri Casinos, Inc., a Delaware corporation, was incorporated in February 1990. Except where otherwise noted, the words *we*, *us*, *our* and similar terms, as well as *Company*, refer to Isle of Capri Casinos, Inc. and all of its subsidiaries. We are a leading developer, owner and operator of branded gaming facilities and related lodging and entertainment facilities in markets throughout the United States. Our wholly owned subsidiaries own and operate thirteen casino gaming facilities in the United States located in Black Hawk, Colorado; Lake Charles, Louisiana; Lula, Biloxi and Natchez, Mississippi; Kansas City, Caruthersville and Boonville, Missouri; Bettendorf, Davenport, Waterloo and Marquette, Iowa; and Pompano Beach, Florida. Our international gaming interests include discontinued operations of wholly owned casinos in Freeport, Grand Bahamas, Coventry, England and Dudley and Wolverhampton, England.

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (*SEC*) and in accordance with accounting principles generally accepted in the United States of America for interim financial reporting. Accordingly, certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying interim consolidated financial statements have been prepared without audit. In the opinion of management, all adjustments, including normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 26, 2009 as filed with the SEC and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report, which are available on the SEC's website at www.sec.gov or our website at www.islecorp.com.

Our fiscal year ends on the last Sunday in April. Periodically, this system necessitates a 53-week year. Fiscal 2010 and 2009 are both 52-week years, which commenced on April 27, 2009 and April 28, 2008, respectively.

Discontinued operations include our former Blue Chip casinos in Dudley and Wolverhampton, England, sold in November 2009, our former casino in Freeport, Grand Bahamas, exited in November 2009 and our former casino in Coventry, England sold in fiscal year 2009.

The condensed consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. We view each property as an operating segment and all such operating segments have been aggregated into one

reporting segment.

The Company evaluated all subsequent events through the date the consolidated financial statements were issued. On February 17, 2010, we entered into a First Amendment to our Credit Agreement as described in Note 4. No other material subsequent events have occurred since January 24, 2010 that required recognition or disclosure in the consolidated financial statements.

3. Discontinued Operations

Discontinued operations include the results of our Blue Chip casino properties in Dudley and Wolverhampton, England sold in November 2009, our Freeport, Grand Bahamas casino property exited in November 2009, and our Coventry, England, sold in April 2009.

The results of our discontinued operations are summarized as follows: