

MONARCH CASINO & RESORT INC
Form 8-K/A
February 25, 2008

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 20, 2008

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))

Explanatory Note:

The sole purpose of this amendment is to amend the Current Report of Monarch Casino and Resort, Inc. on Form 8-K, as originally filed with the Securities and Exchange Commission on February 21, 2008, to comply with proper form. No changes have been made to the press release filed herewith as Exhibit 99.1.

Item 2.02 Results of Operations and Financial Condition.

On February 20, 2008, Monarch Casino & Resort, Inc. issued a press release announcing its financial results for the fourth quarter and twelve months ended December 31, 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 February 20, 2008, 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: February 25, 2008

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

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MONARCH CASINO REPORTS FOURTH QUARTER AND RECORD FULL-YEAR RESULTS

Highlights from the fourth quarter results:

- Net revenue of \$36.9 million
- Income from operations of \$5.6 million
 - EBITDA(1) of \$7.7 million
 - Diluted EPS of 21 cents

Highlights from the full-year record results:

- Net revenue of \$159.9 million
- Income from operations of \$35.7 million
 - EBITDA(1) of \$43.8 million
 - Diluted EPS of \$1.27

RENO, NV - February 20, 2008 - Monarch Casino & Resort, Inc. (NASDAQ: MCRI) (the "Company"), owner of the Atlantis Casino Resort Spa (the "Atlantis") in Reno, Nevada, today announced fourth-quarter and full-year results for the periods ended December 31, 2007.

RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2007

The Company reported fourth-quarter net revenue of \$36.9 million, slightly lower than the \$37.0 million reported for the comparative quarter in 2006. The Company announced quarterly income from operations of \$5.6 million, EBITDA(1) of \$7.7 million and diluted EPS of 21 cents which represent decreases of 26.4%, 21.8% and 22.2%, respectively, when compared to the prior year's fourth quarter. These decreases were driven primarily by an increase in selling, general and administrative expense of \$1.7 million, or 14.7%, which resulted from higher marketing and promotional expenses, increased legal fees, higher bad debt expense and higher payroll and benefits costs.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2007

For the year, the Company reported record net revenue of \$159.9 million, a 5.2% increase over its 2006 net revenue, and announced that revenue generated by each of its revenue centers was the highest reported for any year. Specifically, casino, food and beverage and hotel operations each drove revenue increases over the prior year of 6.7%, 3.2% and 5.6%, respectively.

The Company announced income from operations of \$35.7 million, EBITDA(1) of \$43.8 million and diluted EPS of \$1.27; each of which were also the highest ever reported for any year. When compared to the prior year, these results represent increases of 6.6%, 4.2% and 10.4%, respectively.

The Company reported a \$3.7 million, or 7.9%, increase in selling, general and administrative expenses over the prior year. The primary drivers of this increase were higher legal expense and higher marketing and promotional expense all partially offset by the impact of a \$1.2 million non-cash charge in the second quarter of 2006, which did not recur in 2007, related to early vesting of stock options for the Company's former Co-Chairman and Chief Financial Officer who resigned in 2006.

Monarch's CEO and Co-Chairman John Farahi commented on the Company's performance: "Despite the challenging economic climate, disruption from construction related to our on-going \$50 million expansion project and aggressive marketing programs by our nearest competitor to promote the grand opening of its major expansion project, we delivered fourth quarter net revenue consistent with that of the prior year. While achieving that result, we also incurred increased expenses that pushed our operating profit, EBITDA and EPS below prior year's quarterly results. The economy in Reno and our feeder markets, as in many other areas around the country, is responding to the effects of negative macroeconomic trends, which include higher fuel prices, home mortgage defaults, higher mortgage interest

rates and declining residential real estate values. Additionally, our guests experienced some unavoidable inconveniences at our Atlantis property related to the expansion construction. To adjust for these challenging economic and operating conditions, we increased marketing and promotional expenditures to attract and retain guests. We also incurred higher legal expenses associated with the ongoing and previously disclosed Kerzner litigation; greater bad debt expense; and higher payroll and benefits cost, compared to prior year's fourth quarter. We anticipate that upward pressure on expenses will persist as long as we must continue addressing the adverse effects of the negative macroeconomic environment, construction disruption, the marketing programs of our nearest competitor and protecting the Company's rights in the Kerzner lawsuit."

The Company remained debt-free during the quarter and reported a year end cash balance of \$38.8 million. Through December 31, 2007, the Company incurred approximately \$17.2 million of the previously announced \$50 million expansion which remains on track to be completed in June of 2008. During the quarter, pursuant to previously announced authority issued by the Board of Directors, the Company repurchased in open market transactions 523,396 shares of the Company's common stock at a weighted average purchase price of \$25.03 per share. The company continues to repurchase shares from time to time at its discretion and in accordance with regulations of the Securities and Exchange Commission.

The Company began construction on its previously announced Atlantis Convention Center Skybridge project which will provide guests with a convenient, traffic-free stroll between the Atlantis and the Reno-Sparks Convention Center (the "Convention Center") in an enclosed, climate controlled environment. Upon completion of the project, the Atlantis will be the only hotel physically connected to the Convention Center, a facility that offers 500,000 square feet of exhibition and meeting space. The Company commented that the skybridge uniquely positions the Atlantis, and future Atlantis expansions, to complement the Convention Center facilities and services. The skybridge is expected to be completed late in the fourth quarter of 2008 at an estimated cost of \$12.5 million.

The Company announced that its 2008 Annual Meeting of Stockholders will be held on Wednesday, June 18, 2008 at 10am local time, at the Company's Atlantis Casino Resort Spa, 3800 South Virginia Street in Reno, Nevada. The record date for stockholders entitled to vote at the Annual Meeting is Friday, April 25, 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 it 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. 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.

Monarch Casino & Resort, Inc.

| | Condensed Consolidated Statements of Income | | | |
|-------------------------------------|---|---------------|---------------------|----------------|
| | Three Months Ended | | Twelve Months Ended | |
| | December 31, | | December 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (UNAUDITED) | | (UNAUDITED) | |
| Revenues | | | | |
| Casino | \$ 25,746,126 | \$ 25,711,186 | \$ 110,259,104 | \$ 103,332,559 |
| Food and beverage | 10,280,029 | 10,267,553 | 42,364,225 | 41,037,321 |
| Hotel | 6,028,171 | 5,831,944 | 27,885,858 | 26,412,755 |
| Other | 1,162,564 | 1,229,977 | 4,866,536 | 4,878,840 |
| Gross revenues | 43,216,890 | 43,040,660 | 185,375,723 | 175,661,475 |
| Less promotional allowances | (6,326,726) | (6,047,994) | (25,519,352) | (23,692,521) |
| Net revenues | 36,890,164 | 36,992,666 | 159,856,371 | 151,968,954 |
| Operating expenses | | | | |
| Casino | 8,957,261 | 8,650,752 | 35,927,672 | 34,134,518 |
| Food and beverage | 5,065,900 | 4,898,995 | 20,283,267 | 19,533,532 |
| Hotel | 1,940,872 | 2,070,882 | 8,357,541 | 8,383,382 |
| Other | 358,437 | 333,783 | 1,485,550 | 1,450,100 |
| Selling, general and administrative | 12,912,190 | 11,253,810 | 49,966,276 | 46,309,938 |
| Gaming development costs | 8,340 | 5,753 | 10,477 | 106,477 |
| Depreciation and amortization | 2,015,286 | 2,128,543 | 8,137,886 | 8,559,374 |

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| | | | | |
|--|--------------|--------------|---------------|---------------|
| Total operating expenses | 31,258,286 | 29,342,518 | 124,168,669 | 118,477,321 |
| Income from operations | 5,631,878 | 7,650,148 | 35,687,702 | 33,491,633 |
| Other income (expense) | | | | |
| Interest income | 542,567 | 275,319 | 1,928,450 | 466,050 |
| Interest expense | - | (22,877) | (152,274) | (97,722) |
| Total other income | 542,567 | 252,442 | 1,776,176 | 368,328 |
| Income before income taxes | 6,174,445 | 7,902,590 | 37,463,878 | 33,859,961 |
| Provision for income taxes | (2,123,660) | (2,783,590) | (12,983,660) | (11,779,590) |
| Net income | \$ 4,050,785 | \$ 5,119,000 | \$ 24,480,218 | \$ 22,080,371 |
| Earnings per share of common stock | | | | |
| Net income | | | | |
| Basic | \$ 0.21 | \$ 0.27 | \$ 1.28 | \$ 1.16 |
| Diluted | \$ 0.21 | \$ 0.27 | \$ 1.27 | \$ 1.15 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic | 18,990,032 | 19,063,439 | 19,057,583 | 18,990,331 |
| Diluted | 19,260,561 | 19,289,563 | 19,329,131 | 19,274,847 |

Monarch Casino & Resort, Inc.
Condensed Consolidated Balance Sheets

| | December 31, | |
|--------------------------------------|---------------|---------------|
| | 2007 | 2006 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 38,835,820 | \$ 36,985,187 |
| Receivables, net | 4,134,099 | 3,268,970 |
| Federal income tax refund receivable | 998,123 | - |
| Inventories | 1,496,046 | 1,471,667 |
| Prepaid expenses | 3,144,374 | 2,833,126 |
| Deferred income taxes | 1,084,284 | 965,025 |
| Total current assets | 49,692,746 | 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 & equipment | 72,511,165 | 72,708,061 |
| Leasehold improvements | 1,346,965 | 1,346,965 |

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| | | |
|---|----------------|----------------|
| | 176,754,367 | 176,951,263 |
| Less accumulated depreciation and amortization | (92,215,149) | (84,325,578) |
| | 84,539,218 | 92,625,685 |
| Construction in progress | 17,236,062 | - |
| Net property and equipment | 101,775,280 | 92,625,685 |
| Other assets, net | 2,817,842 | 231,247 |
| Total assets | \$ 154,285,868 | \$ 138,380,907 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | 10,840,318 | 8,590,669 |
| Accounts payable construction | 1,971,022 | - |
| Accrued expenses | 9,230,157 | 9,878,851 |
| Federal income taxes payable | - | 16,457 |
| Total current liabilities | 22,041,497 | 18,485,977 |
| Deferred income taxes | 2,825,433 | 4,248,614 |
| Total liabilities | 24,866,930 | 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; 18,566,540 outstanding at 12/31/07 | | |
| 19,065,968 outstanding at 12/31/06 | 190,963 | 190,726 |
| Additional paid-in capital | 25,741,972 | 23,205,045 |
| Treasury stock, 529,760 shares at 12/31/07 | | |
| 6,582 shares at 12/31/06, at cost | (13,268,905) | (24,145) |
| Retained earnings | 116,754,908 | 92,274,690 |
| Total stockholders' equity | 129,418,938 | 115,646,316 |
| Total liability and stockholder's equity | \$ 154,285,868 | \$ 138,380,907 |

Monarch Casino & Resort, Inc.
Reconciliation of Net Income to EBITDA (1)
Unaudited

| | Three Months Ended | | Twelve Months Ended | |
|-----------------------------|--------------------|--------------|---------------------|---------------|
| | December 31, | | December 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| Net Income | \$ 4,050,785 | \$ 5,119,000 | \$ 24,480,218 | \$ 22,080,371 |
| Adjustments | | | | |
| Provision for income taxes | 2,123,660 | 2,783,590 | 12,983,660 | 11,779,590 |
| Interest expense | - | 22,877 | 152,274 | 97,722 |
| Depreciation & amortization | 2,015,286 | 2,128,543 | 8,137,886 | 8,559,374 |
| Interest income | (542,567) | (275,319) | (1,928,450) | (466,050) |
| EBITDA (1) | \$ 7,647,164 | \$ 9,778,691 | \$ 43,825,588 | \$ 42,051,007 |

(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.