

MONARCH CASINO & RESORT INC
Form 8-K
October 26, 2006

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

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): October 25, 2006

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 (see General Instruction A.2. below):

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))

Item 2.02 Results of Operations and Financial Condition

MONARCH CASINO REPORTS RECORD THIRD QUARTER RESULTS

- Record quarterly net revenue of \$41.9 million
- Record income from operations of \$11.4 million (\$11.8 excluding share-based compensation)
- Record EBITDA (1) of \$13.5 million (\$14.0 million excluding share-based compensation)
- Record diluted EPS of 38 cents (40 cents excluding share-based compensation)

RENO, NV - October 25, 2006 - Monarch Casino & Resort, Inc. (NASDAQ: MCRI) (the "Company"), owner of the Atlantis Casino Resort in Reno, Nevada, today announced record quarterly results for net revenue, income from operations, EBITDA (1) and diluted EPS.

The Company reported record net revenues of \$41.9 million, a 9.3% increase over the comparative quarter in 2005, and announced that each of its revenue centers delivered record results. Specifically, casino, food and beverage, hotel and 'other revenue centers' drove revenue increases over the same quarter of the prior year of 9.1%, 7.1%, 11.0% and 10.7%, respectively.

The Company announced Income from operations of \$11.4 million, EBITDA (1) of \$13.5 million and diluted EPS of 38 cents, each of which were also all-time records. Excluding the effects of \$489,000 of share-based compensation, the Company would have posted income from operations of \$11.8 million, EBITDA (1) of \$14.0 million and diluted EPS of 40 cents. Compared to the same quarter of the prior year, the results excluding the effects of share-based compensation represent increases of 6.2%, 5.4% and 8.1%, respectively.

The Company reported a \$2.0 million, or 20.9% increase in selling, general and administrative expenses over the same quarter of the prior year. The drivers of this increase were share-based compensation resulting from the implementation of FAS 123R in the first quarter of 2006; increased marketing and promotional expense; increased payroll costs; increased legal fees; higher bad debt expense and higher energy costs.

Monarch's CEO and Co-Chairman John Farahi commented on the Company's performance: "These record results are a tribute to our team and demonstrate our ability to continually raise the performance bar on the strong results we have delivered in the past. We will continue the push toward peak performance from our existing facility as we proceed with its expansion. We are on schedule with the expansion plans we announced last May and expect to break ground in the first quarter of 2007."

The Company remained debt free during the quarter.

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 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.

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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, 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, 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 September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------|------------------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | | | | |
| Casino | \$27,716,814 | \$25,397,320 | \$77,621,373 | \$70,322,452 |
| Food and beverage | 10,889,609 | 10,164,356 | 30,769,768 | 28,595,670 |
| Hotel | 8,101,167 | 7,296,627 | 20,580,811 | 18,668,109 |
| Other | 1,408,494 | 1,272,052 | 3,839,594 | 3,460,808 |
| Gross revenues | 48,116,084 | 44,130,355 | 132,811,546 | 121,047,039 |
| Less promotional allowances | (6,213,477) | (5,782,463) | (17,644,527) | (16,154,058) |
| Net revenues | 41,902,607 | 38,347,892 | 115,167,019 | 104,892,981 |
| Operating Expenses | | | | |
| Casino | 8,991,885 | 8,189,181 | 25,483,766 | 23,676,274 |
| Food and beverage | 5,143,751 | 4,862,299 | 14,634,537 | 14,030,259 |
| Hotel | 2,206,631 | 2,024,190 | 6,312,500 | 5,863,026 |
| Other | 384,033 | 354,625 | 1,116,317 | 999,689 |
| Selling, general, and administrative | 11,653,283 | 9,640,312 | 35,056,128 | 28,222,479 |
| Gaming development costs | 27,892 | 13,382 | 100,724 | 274,090 |
| Depreciation and amortization | 2,139,592 | 2,113,060 | 6,430,831 | 6,251,172 |
| Total operating expenses | 30,547,067 | 27,197,049 | 89,134,803 | 79,316,989 |
| Income from operations | 11,355,540 | 11,150,843 | 26,032,216 | 25,575,992 |
| Other expense | | | | |
| Interest expense | (15,401) | (301,629) | (74,845) | 890,966) |
| Income before income taxes | 11,340,139 | 10,849,214 | 25,957,371 | 24,685,026 |
| Provision for income taxes | 3,969,098 | 3,762,000 | 8,996,000 | 8,550,000 |
| Net income | \$ 7,371,041 | \$ 7,087,214 | \$16,961,371 | \$16,135,026 |
| <i>Earnings per share of common stock</i> | | | | |
| Net income | | | | |
| Basic | \$ 0.39 | \$ 0.38 | \$ 0.89 | \$ 0.86 |
| Diluted | \$ 0.38 | \$ 0.37 | \$ 0.88 | \$ 0.85 |
| Weighted average number of common shares and potential common shares outstanding | | | | |
| Basic | 19,058,896 | 18,867,748 | 18,965,694 | 18,840,034 |
| Diluted | 19,245,639 | 19,103,711 | 19,263,869 | 19,082,667 |

Monarch Casino & Resort, Inc.
Condensed Consolidated Balance Sheets

| | September 30, 2006 | December 31, 2005 |
|--|-----------------------|----------------------|
| | (UNAUDITED) | |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 28,658,340 | \$ 12,886,494 |
| Receivables, net | 3,470,359 | 3,559,602 |
| Federal income tax refund receivable | - | 286,760 |
| Inventories | 1,489,634 | 1,456,453 |
| Prepaid expenses | 3,054,855 | 2,401,619 |
| Deferred income taxes | 1,919,043 | 1,326,224 |
| Total current assets | 38,592,231 | 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 & equipment | 71,293,190 | 67,393,755 |
| Leasehold improvements | 1,346,965 | 1,346,965 |
| | 175,500,144 | 171,600,709 |
| Less accumulated depreciation and amortization | (82,299,289) | (76,117,346) |
| Net property and equipment | 93,200,855 | 95,483,363 |
| Other assets, net | 254,122 | 269,524 |
| Total assets | \$ 132,047,208 | \$117,670,039 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | 7,082,667 | 7,335,630 |
| Accrued expenses | 8,199,026 | 8,722,221 |
| Federal income taxes payable | 1,338,218 | - |
| Total current liabilities | 16,619,911 | 16,057,851 |
| Long-term debt, less current maturities | - | 8,100,000 |
| Deferred income taxes | 5,403,193 | 5,953,193 |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued | - | - |
| Common stock, \$.01 par value, 30,000,000 shares authorized; 19,072,550 shares issued; | | |
| 19,059,968 outstanding at 9/30/06 | | |
| 18,879,310 outstanding at 12/31/05 | 190,726 | 190,726 |
| Additional paid-in capital | 22,723,844 | 17,882,827 |
| Treasury stock, 12,582 shares at 9/30/06 | | |
| 193,240 shares at 12/31/05, at cost | (46,156) | (708,877) |
| Retained earnings | 87,155,690 | 70,194,319 |

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| | | |
|--|----------------|---------------|
| Total stockholders' equity | 110,024,104 | 87,558,995 |
| Total liabilities and stockholders' equity | \$ 132,047,208 | \$117,670,039 |

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

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------|--------------------|--------------|-------------------|--------------|
| | September 30, | | September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net Income | \$7,371,041 | \$7,087,214 | \$16,961,371 | \$16,135,026 |
| Adjustments | | | | |
| Provision for income taxes | 3,969,098 | 3,762,000 | 8,996,000 | 8,550,000 |
| Interest expense | 15,401 | 301,629 | 74,845 | 890,966 |
| Depreciation & amortization | 2,139,592 | 2,113,060 | 6,430,831 | 6,251,172 |
| EBITDA (1) | \$13,495,132 | \$13,263,903 | \$32,463,047 | \$31,827,164 |

(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, 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.

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.
 (Registrant)

Date October 25, 2006

/s/ John Farahi
John Farahi
Co-Chairman of the Board, Chief
Executive Officer and Chief Operating
Officer