

AMERISTAR CASINOS INC

Form 10-Q

November 14, 2002

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended September 30, 2002**

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: 0-22494

**AMERISTAR CASINOS, INC.**

(Exact name of Registrant as Specified in its Charter)

**Nevada**

**88-0304799**

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(State or other jurisdiction of  
incorporation or organization) identification no.)

(I.R.S. employer

**3773 Howard Hughes Parkway**  
**Suite 490 South**  
**Las Vegas, Nevada 89109**  
(Address of principal executive offices)

**(702) 567-7000**  
(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

As of November 7, 2002, 26,211,914 shares of Common Stock of the registrant were issued and outstanding.

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**SIGNATURE AND CERTIFICATIONS**

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CONDENSED CONSOLIDATED BALANCE SHEETS****ASSETS  
(Amounts in Thousands)**

	December 31, 2001	September 30, 2002
	<u>          </u>	<u>          </u>
		(Unaudited)
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$41,143	\$47,219
Accounts receivable, net	3,608	3,792
Income tax refund receivable	4,275	
Inventories	5,206	6,550
Prepaid expenses	7,421	10,156
Deferred income taxes	3,452	6,996
Assets held for sale	1,583	
	<u>          </u>	
	<u>          </u>	
Total current assets	60,830	80,571
	<u>          </u>	
	<u>          </u>	
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation and amortization of \$149,945 and \$173,065, respectively	720,515	886,805
EXCESS OF PURCHASE PRICE OVER FAIR MARKET VALUE OF NET ASSETS ACQUIRED	83,224	82,321

DEPOSITS AND OTHER  
ASSETS  
28,023 27,416

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TOTAL ASSETS  
\$892,592 \$1,077,113

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS-CONTINUED**

**LIABILITIES AND STOCKHOLDERS' EQUITY**  
**(Amounts in Thousands, Except Share Data)**

	December 31, 2001	September 30, 2002
		(Unaudited)
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$10,331	\$7,384
Construction contracts payable	16,455	25,352
Accrued liabilities	51,648	54,131
Current obligations under capitalized leases	1,170	1,200
Current maturities of notes payable and long-term debt	8,433	13,713
Total current liabilities	88,037	101,780
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OBLIGATIONS UNDER CAPITALIZED LEASES, net of current maturities	2,184	1,273
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LONG-TERM DEBT, net of current maturities	622,071	739,665
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DEFERRED INCOME TAXES AND OTHER LONG-TERM LIABILITIES	22,964	38,391



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COMMITMENTS AND  
CONTINGENCIES

STOCKHOLDERS EQUITY:

Preferred stock, \$.01 par value:  
Authorized 30,000,000

shares; Issued None Common  
stock, \$.01 par value: Authorized  
60,000,000 shares; Issued and  
outstanding 25,858,771 shares at  
December 31, 2001 and  
26,211,713 shares at  
September 30, 2002

258 262  
Additional paid-in capital  
141,302 145,697  
Accumulated other comprehensive  
loss  
(1,953) (3,171)  
Retained earnings  
17,729 53,216

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Total stockholders equity  
157,336 196,004

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TOTAL LIABILITIES AND  
STOCKHOLDERS EQUITY  
\$892,592 \$1,077,113

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(Amounts in Thousands, Except Per Share Data)  
(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2002	2001	2002
<b>REVENUES:</b>				
Casino	\$142,965	\$176,347	\$409,651	\$485,881
Food and beverage	18,589	23,039	52,351	60,722
Rooms	6,313	6,492	17,908	18,629
Other	5,048	5,703	13,698	14,343
	172,915	211,581	493,608	579,575
Less: Promotional allowances	17,109	24,323	42,809	63,231
Net revenues	155,806	187,258	450,799	516,344

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OPERATING EXPENSES:

Casino	63,809	80,867	187,507	217,093
Food and beverage	11,283	15,477	34,066	38,512
Rooms	2,156	2,010	6,053	5,683
Other	3,120	4,488	9,136	10,403
Selling, general and administrative	33,492	39,443	97,556	108,953
Depreciation and amortization	9,974	13,602	28,292	34,024
Impairment loss on assets held for sale	1,077	5,213		
Preopening expenses	4,925	6,401		

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Total operating expenses	123,834	161,889	362,610	426,282
Income from operations	31,972	25,369	88,189	90,062
OTHER INCOME (EXPENSE):				

Interest income	193	23	475	108
Interest expense	(14,818)	(13,935)	(50,839)	(33,931)
Other	143	(318)	(143)	(415)

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INCOME BEFORE INCOME TAX PROVISION AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	17,490	11,139	37,682	55,824
Income tax provision	6,225	3,731	13,546	20,337

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INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	11,265	7,408	24,136	35,487	CUMULATIVE
EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE					
adoption of SFAS No. 133, net of income tax benefit of					
\$73	(135)				
NET INCOME					
\$11,265	\$7,408	\$24,001	\$35,487		

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME-CONTINUED  
(Amounts in Thousands, Except Per Share Data)  
(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2002	2001	2002
<b>EARNINGS PER SHARE:</b>				
Income before cumulative effect of change in accounting principle:				
Basic				
	\$0.54	\$0.28	\$1.17	\$1.36
<hr style="border: 1px solid black;"/>				
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Diluted				
	\$0.49	\$0.28	\$1.08	\$1.34
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<hr style="border: 1px solid black;"/>				
<hr style="border: 1px solid black;"/>				
<hr style="border: 1px solid black;"/>				
Net income:				
Basic				
	\$0.54	\$0.28	\$1.16	\$1.36
<hr style="border: 1px solid black;"/>				
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<hr style="border: 1px solid black;"/>				
<hr style="border: 1px solid black;"/>				
Diluted				

\$0.49 \$0.28 \$1.07 \$1.34

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

WEIGHTED AVERAGE SHARES  
OUTSTANDING:

Basic  
20,845 26,159 20,655 26,067

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Diluted  
22,908 26,367 22,349 26,424

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2001	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$24,001	\$35,487
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,292	34,024
Amortization of debt issuance costs and debt discounts	6,239	3,459
Impairment loss on assets held for sale	5,213	
Net loss on disposition of assets	241	328
Change in deferred income taxes	11,851	12,014
Decrease (increase) in income tax refund receivable	125	(4,275)
Decrease (increase) in other current assets	514	(5,845)
Increase in current liabilities	5,729	1,827
Total adjustments	52,991	46,745

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Net cash provided by operating  
activities  
76,992 82,232

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CASH FLOWS FROM INVESTING  
ACTIVITIES:

Capital expenditures  
(65,139) (211,980)  
Increase in construction contracts  
payable  
5,262 8,897  
Proceeds from sale of The Reserve  
71,559  
Proceeds from sale of assets (other  
than The Reserve)  
3 8,370  
Increase in deposits and other  
non-current assets  
(1,663) (3,694)  
Net cash provided by (used in)  
investing activities  
10,022 (198,407)

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CASH FLOWS FROM  
FINANCING ACTIVITIES:

Proceeds from issuance of notes  
payable and long-term debt  
386,006 131,236  
Principal payments of notes payable,  
long-term debt and capitalized leases  
(461,169) (9,710)  
Debt issuance costs  
(7,467)  
Amendment fee for senior credit  
facilities  
(936)  
Proceeds from stock option exercises  
1,302 1,661

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Net cash (used in) provided by  
financing activities



(81,328) 122,251

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMERISTAR CASINOS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-CONTINUED  
(Amounts in Thousands)  
(Unaudited)**

	Nine Months Ended September 30,	
	2001	2002
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,686	6,076
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD		
36,245 41,143		
CASH AND CASH EQUIVALENTS END OF PERIOD		
\$41,931 \$47,219		