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MONARCH CASINO & RESORT INC

Form 8-K

October 27, 2004

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): October 25, 2004

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)	(I.R.S. Employer Identification No.)

1175 W. Moana Lane, Suite 200	
Reno, NEVADA	89509
(Address of Principal Executive Offices)	(Zip Code)

(775)825-3355

-----  
(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 October 25, 2004, Monarch Casino & Resort, Inc. (the "Company") issued a press release reporting the Company's financial results for the third quarter ended September 30, 2004. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

ITEM 8.01 Other Informaiton

Additional disclosures regarding the Company?s third quarter ended September 30, 2004:

-Hotel occupancy at the Company?s Atlantis Casino Resort for the three

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months ended September 30, 2004 was 98.2%, unchanged when compared to the three months ended September 30, 2003. For the nine-month period ended September 30, 2004, the hotel occupancy was 95.9%, an improvement over the 94.3% during the same period of 2003.

-The average daily room rate (?ADR?) at the Atlantis was \$71.22 for the three months ended September 30, 2004, versus \$64.48 for the three months ended September 30, 2003. For the nine months ended September 30, 2004, the ADR was \$65.53, an improvement over the \$58.93 ADR during the nine months ended September 30, 2003.

-The decrease in depreciation expense during the third quarter of 2004 as compared to the third quarter of 2003 was mainly due to the fact that some of the assets from the Company?s previous major expansion had fully depreciated.

-The increase in selling, general and administrative expenses during the third quarter ended September 30, 2004, was mainly attributable to increases in bonuses, insurance costs and other general operating expenses.

ITEM 9.01 Financial Statements and Exhibits

(c) EXHIBITS

99.1 Text of press release dated October 25, 2004.

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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: October 26, 2004

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

MONARCH CASINO & RESORT, INC. ANNOUNCES ALL-TIME RECORDS  
FOR THIRD QUARTER ENDED SEPTEMBER 30, 2004  
- 9-MONTH EPS BEATS RECORD YEAR 2003 TOTAL -

RENO, NV?October 25, 2004? Monarch Casino & Resort, Inc. (Nasdaq: MCRI) (the "Company") announced its second successive all-time Company record for the quarter ended September 30, 2004. The Company?s net income, earnings per share, EBITDA (1), casino revenue, hotel revenue, and net revenue during the 2004 third quarter eclipsed all such previous quarterly results, including its previous record-setting second quarter ended June 30, 2004.

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Net income for the Company during the third quarter ended September 30, 2004, was \$5,552,438, or \$0.59 per diluted share. This marks a 51.5% improvement over net income of \$3,665,814, and \$0.39 per diluted share, in the third quarter ended September 30, 2003, and a 27.6% improvement over its previous record quarterly net income set in the second quarter of 2004. The Company's nine-month earnings per share of \$1.35 is a 32% improvement over the full year 2003 per share earnings of \$1.02. EBITDA (1) for the third quarter was \$10,858,147, or 23.4% better than the \$8,797,634 EBITDA (1) from the third quarter last year.

Revenues in all major categories increased significantly in the third quarter of 2004 year over year. Casino revenues were \$22,642,767 compared to \$19,893,383, an increase of 13.8%. Food and beverage revenues increased 5.9%, from \$9,146,124 to \$9,689,843. Hotel revenues also jumped significantly, from \$6,259,807 to \$7,021,432, a 12.2% increase. Other revenues decreased approximately \$103,000, or 8.8%. The strong increases in casino, food and beverage and hotel revenues combined to increase the Company's gross revenues by 10.8%. Promotional allowances increased only 6.7%, leading to an 11.5% improvement in net revenue during the 2004 third quarter over the 2003 third quarter. Operating expenses in the quarter ended September 30, 2004, increased only 3.9% as compared to the quarter ended September 30, 2003, resulting in a 42.4% increase in income from operations. The increase in revenues and smaller increase in operating expenses, combined with a 46.4% decrease in interest expense and stockholder guarantee fee expense, led to an impressive 51.5% increase in net income during the 2004 third quarter over the 2003 third quarter.

Commenting on the Company's all-time record quarter, John Farahi, its Chief Executive Officer and Co-Chairman, said: "Obviously, we are very pleased about the record results once again. The increase in our revenues and operating margins are attributable to our superior product and service. All in all, about 52% of the additional revenue flowed through to the bottom line, resulting in a 5.4 percentage point increase in operating margin year over year to 25.1%, our best ever. I am extremely proud of all our team members' continuing efforts and valuable contributions. We continue to benefit from local population growth, constant physical improvement to the property, increases in convention bookings at the Reno-Sparks Convention Center and management's continuous attention to detail." Mr. Farahi later added: "We are also very excited about our latest physical enhancement to the Atlantis, a new expansive paver driveway and entrance to the Atlantis that are accentuated with three colossal, show-controlled water fountains. The water feature and

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expanded driveway, which opened on September 30, 2004, is another distinguishing feature which will both provide a more customer efficient entrance to our resort and enhance our mystique as one of the premier hotel casinos in northern Nevada.

Continuing its trend of aggressively paying down debt, the Company reduced its bank debt by \$6.5 million during the third quarter of 2004, and by \$14.2 million for the first nine months of 2004. The Company's long-term debt balance of \$32.8 million at September 30, 2004, represented 95.6% of the Company's trailing twelve months EBITDA (1).

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

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from the Reno-Sparks Convention Center. The Atlantis is recognizable due to its Sky Terrace, a unique structure rising approximately 55 feet from street level and spanning 160 feet across the 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 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 37 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) the financial benefits that may result from future operations. 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](mailto:benfarahi@monarchcasino.com)  
 Karl G. Brokmann at (775) 825-3355 or [kbrokmann@monarchcasino.com](mailto:kbrokmann@monarchcasino.com)

For additional information including artist renditions and photographs, visit Monarch's web site at [monarchcasino.com](http://monarchcasino.com).

(1) "EBITDA" consists of net income plus provision for income taxes, other expenses (income), 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 September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues				
Casino.....	\$ 22,642,767	\$ 19,893,383	\$ 63,490,456	\$ 56,247,540
Food and beverage.....	9,689,843	9,146,124	27,956,559	26,093,733
Hotel.....	7,021,432	6,259,807	18,974,036	16,483,022

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Other.....	1,066,081	1,169,165	2,874,923	3,040,978
	-----	-----	-----	-----
Gross revenues.....	40,420,123	36,468,479	113,295,974	101,865,273
Less promotional allowances.....	(5,359,370)	(5,021,786)	(15,035,242)	(14,178,582)
	-----	-----	-----	-----
Net revenues.....	35,060,753	31,446,693	98,260,732	87,686,691
	-----	-----	-----	-----
Operating expenses				
Casino.....	7,870,607	7,550,337	22,977,956	22,035,163
Food and beverage.....	4,912,576	4,530,680	14,122,051	13,129,591
Hotel.....	1,949,466	1,846,802	6,006,341	5,231,101
Other.....	352,855	357,879	1,047,509	971,121
Selling, general and administrative.....	9,117,102	8,363,361	25,972,178	24,478,855
Depreciation and amortization.....	2,047,706	2,611,621	7,687,196	7,928,450
	-----	-----	-----	-----
Total operating expenses.....	26,250,312	25,260,680	77,813,231	73,774,281
	-----	-----	-----	-----
Income from operations.....	8,810,441	6,186,013	20,447,501	13,912,410
	-----	-----	-----	-----
Other expenses				
Interest expense.....	(333,483)	(372,063)	(1,125,121)	(1,244,145)
Stockholder guarantee fee expense..	-	(250,334)	(136,164)	(792,613)
	-----	-----	-----	-----
Total other expenses.....	(333,483)	(622,397)	(1,261,285)	(2,036,758)
	-----	-----	-----	-----
Income before income taxes.....	8,476,958	5,563,616	19,186,216	11,875,652
Provision for income taxes.....	2,924,520	1,897,802	6,523,520	4,040,802
	-----	-----	-----	-----
Net income.....	\$ 5,552,438	\$ 3,665,814	\$ 12,662,696	\$ 7,834,850
	=====	=====	=====	=====
Earnings per share of common stock				
Net income				
Basic.....	\$ 0.59	\$ 0.39	\$ 1.35	\$ 0.84
Diluted.....	\$ 0.59	\$ 0.39	\$ 1.35	\$ 0.83
Weighted average number of common shares and potential common shares outstanding				
Basic.....	9,388,922	9,339,567	9,368,824	9,379,446
Diluted.....	9,408,872	9,373,006	9,397,211	9,411,771

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## MONARCH CASINO & RESORT, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004	December 31, 2003
	----- (Unaudited)	-----
<b>ASSETS</b>		
Current assets		
Cash.....	\$ 6,893,209	\$ 9,711,310
Receivables, net.....	2,711,752	2,818,727
Federal income tax refund receivable.....	-	756,698
Inventories.....	1,227,314	1,245,967
Prepaid expenses.....	2,741,176	2,234,773
Deferred income taxes.....	1,071,457	542,457
	-----	-----
Total current assets.....	14,644,908	17,309,932
	-----	-----
Property and equipment		
Land.....	10,339,530	10,339,530
Land improvements.....	3,226,913	3,226,913
Buildings.....	78,955,538	78,955,538
Building improvements.....	7,060,680	6,304,642
Furniture and equipment.....	65,241,991	63,230,354
Leasehold improvement.....	1,200,000	-
	-----	-----
	166,024,652	162,056,977
Less accumulated depreciation and amortization..	(67,575,337)	(63,618,047)
	-----	-----
Net property and equipment.....	98,449,315	98,438,930
	-----	-----
Other assets, net.....	429,495	128,263
	-----	-----
Total assets.....	\$ 113,523,718	\$ 115,877,125
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current maturities of long-term debt.....	\$ -	\$ 6,059,591
Accounts payable.....	6,234,682	8,407,887
Accrued expenses.....	5,810,263	6,707,257
Federal income taxes payable.....	1,390,981	-
	-----	-----
Total current liabilities.....	13,435,926	21,174,735
	-----	-----
Long-term debt, less current maturities.....	32,800,000	41,125,000
Deferred income taxes.....	5,639,426	4,854,587
	-----	-----
Commitments and contingencies.....		
Stockholders' equity		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued.....	-	-
Common stock, \$.01 par value, 30,000,000 shares authorized; 9,536,275 issued; 9,405,224 outstanding at 09/30/2004, 9,340,328 outstanding at 12/31/2003.....	95,363	95,363
Additional paid-in capital.....	17,219,376	17,432,635
Treasury stock,		

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131,051 shares at 09/30/2004, 195,947 shares		
at 12/31/2003, at cost.....	(961,488)	(1,437,614)
Retained earnings.....	45,295,115	32,632,419
	-----	-----
Total stockholders' equity.....	61,648,366	48,722,803
	-----	-----
Total liabilities and stockholders' equity...	\$ 113,523,718	\$ 115,877,125
	=====	=====

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MONARCH CASINO & RESORT, INC.  
RECONCILIATION OF NET INCOME TO EBITDA (1)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004 (unaudited)	2003 (unaudited)	2004 (unaudited)	2003 (unaudited)
Net income.....	\$ 5,552,438	\$3,665,814	\$12,662,696	\$7,834,850
Adjustments:				
Provision for income taxes.....	2,924,520	1,897,802	6,523,520	4,040,802
Stockholder guarantee fee expense	-	250,334	136,164	792,613
Interest expense.....	333,483	372,063	1,125,121	1,244,145
Depreciation and amortization....	2,047,706	2,611,621	7,687,196	7,928,450
	-----	-----	-----	-----
EBITDA (1)	\$10,858,147	\$8,797,634	\$28,134,697	\$21,840,860
	=====	=====	=====	=====



