

Riviera Reports Second Quarter 2005 Results

2005-08-09

Net revenues for the quarter were \$53.3 million, up \$463,000 or 0.9 percent from the second quarter of 2004.

Income from operations was \$5.6 million, down \$2.0 million from the second quarter of 2004. Adjusted EBITDA (1) was \$10.6 million, down \$359,000 or 3.3 percent from the second quarter of 2004. Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization, equity compensation, asset impairment, Sarbanes Oxley expenses and mergers, acquisitions and development costs, as shown in the reconciliation to net income in the tables of this release (See Notes 1 and 2 to the Financial Summary Table). The net loss for the quarter was \$1.0 million, or \$0.08 per diluted share, compared to net income of \$829,000, or \$0.08 per diluted share, in the second quarter of 2004.

Net revenues for the first six months of 2005 were \$105.7 million, up \$2.5 million or 2.4 percent from the first six months of 2004. Income from operations was \$14.4 million, down \$573,000 from the first half of 2004. Adjusted EBITDA (1) was \$22.2 million, up \$554,000 or 2.6 percent from the first half of 2004, a record for any six-month period in the Company's history. Net income for the first six months of 2005 was \$1.1 million, or \$0.09 per diluted share, compared with net income of \$1.4 million, or \$0.13 per diluted share, in the first half of 2004.

Second Quarter 2005 Highlights

œ Riviera Las Vegas revenues were up \$1.1 million or 2.7 percent

œ Riviera Las Vegas occupancy was 94.5 percent compared to 95.3 percent in the second quarter of 2004, ADR (Average Daily Rate) increased \$10 to \$73 and RevPar (Revenue Per Available Room) increased \$9 to \$69

œ Riviera Las Vegas EBITDA was down \$440,000 or 5.5 percent

œ Riviera Black Hawk revenues were down \$601,000 or 4.5 percent

œ Riviera Black Hawk EBITDA was down \$177,000 or 4.2 percent

œ The Company has \$20.7 million in cash plus a \$30 million revolver, after making its semi-annual bond interest on June 15, 2005

Riviera Las Vegas

Robert Vannucci, President of Riviera Las Vegas, said, "Our Las Vegas property followed the surge of increased room rates on the Las Vegas Strip, as ADR was up 16.6 percent during the quarter and has continued to grow into the third quarter of 2005. In the past, the Riviera was not able to increase room rates as quickly as some of our competitors at the south end of the Strip. As new development moves north, we anticipate that we will be able to accelerate our room rate increases with minimal impact to our high rate of hotel occupancy. During the quarter, conventions and groups occupied 41.5 percent of our rooms. While these guests pay higher room rates, their gaming profile is lower than that of our leisure customers. We initiated free slot play programs to attract slot players from our competitors and enhance the play of our in house guests. This resulted in higher gross slot revenues; however, after deducting the free slot play, slot revenues were down for the quarter. We are reviewing our marketing programs and efforts to obtain the best mix of hotel guests that will increase our overall bottom line. Entertainment tickets sold to cash customers were down 25 percent in the quarter. This impacts the volume of traffic in the casino and, as a result, slot win.

"During the second quarter of 2005 we incurred expenses of approximately \$500,000 related to our 50th anniversary promotions. We do not often engage in institutional advertising, but we believed that this event was important to keep our brand name in the media and for future benefit to the Company.

"As we have stated in the past, Riviera Las Vegas is located on 26 acres of prime real estate on the north end of the Las Vegas Strip. We anticipate that our location will benefit from the continued expansion of the Las Vegas Convention Center and the development of new casinos, hotels and luxury condominiums in the near term. Recent land transactions on or near the Las Vegas Strip are indicators that our land has a fair market value well in excess of its \$21 million recorded book value, which is less than \$1 million per acre."

Riviera Black Hawk

Ron Johnson, President of Riviera Black Hawk, said, "Second quarter net revenue of \$12.8 million was down \$601,000 or 4.5 percent from last year's second quarter. EBITDA for the quarter of \$4.1 million was down \$177,000 or 4.2 percent from last year's second quarter. EBITDA margin of 32.0 percent was up slightly from the same period last year.

"Second quarter results were negatively impacted by a rock slide in June that closed Highway 6 between the city of Golden and the intersection of Highway 119 and Highway 6, approximately 10 miles east of Black Hawk. Although there are four routes to the Black Hawk/Central City area, Highway 6- 119 through Golden is the preferred route taken by most gaming patrons. A portion of Highway 6 remains closed and is not expected to reopen until sometime in late September.

"Net revenues for the first six months of 2005 were \$25.9 million, down \$621,000 or 2.3 percent from the first six months last year. EBITDA for the first six months of 2005 was \$8.0 million, down \$481,000 or 5.7 percent from the first six months in 2004. EBITDA margin for the first six months was 31.0 percent or 1.1 percentage points lower than the first six months last year."

Consolidated Operations

William L. Westerman, Chairman of the Board, said, "We are disappointed that in the second quarter we did not maintain our trend of reporting record results. However, we are pleased that, thanks to our great first quarter performance, we still achieved a record for the first six months of 2005.

"Prior to the rockslide in June, Black Hawk's EBITDA for the second quarter was running ahead of last year. The Black Hawk team is working aggressively to minimize the effect of the closing of a portion of Highway 6, but we must be realistic and expect the situation to adversely affect Black Hawk's earnings in the third quarter. As we move through the third quarter, our team members are working hard to mitigate the situation in Colorado and take advantage of the continuing strong market in Las Vegas and to sustain our revenue and cash flow.

"In April, Riviera Las Vegas celebrated its 50th anniversary. We undertook a special promotional effort, which was well received by our long-time customers, our employees and the community. We incurred expenses of approximately \$500,000, which were not offset by additional revenues. Las Vegas would have been even or a little ahead of last year, except for this special one-time expense.

"Development of the north end of the Las Vegas Strip continues unabated. Since our last earnings release, ground has been broken on three new condominium projects in our neighborhood.

"With our financial advisor, Jefferies & Company, we continue to explore strategies to maximize shareholder value."

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