

Trump Entertainment Resorts Reports Fourth Quarter and Year End 2007 Results

2008-03-05

Trump Entertainment Resorts, Inc. (NASDAQ: TRMP) today reported its results for the three months and year ended December 31, 2007 and other related news.

In making the announcement, Mark Juliano, Chief Executive Officer of the Company, said, '2007 was a year of accomplishment and challenge for our company. Generally, we are pleased that our initiatives aimed at attracting new cash business, targeting our marketing dollars, controlling costs and delivering a high quality experience through facility innovation and service enhancement led us to increase our overall market share and deliver consistent margins at two of our three properties. Certainly the introduction of gaming in Pennsylvania had a more severe impact than had been anticipated. Due to the effects of current competitive and economic pressures, and in accordance with generally accepted accounting principles, we recorded non-cash write-downs to certain of our intangible and other assets during the quarter that had a substantial impact on our earnings.

'We viewed 2007 as an opportunity to continue investing in a new business model focused on increasing the quality of our customers, length of stay and diversifying our revenue streams to include more non-gaming amenities. The critical changes we have made during the past two years to accomplish these goals led us, in my view, to outperform the market revenue trends for the fourth quarter and full year. While the year posed challenges for each of our properties and the entire Atlantic City gaming market, we are encouraged by the results our strategic initiatives have produced and are confident we have made great accomplishments in building the company we have been envisioning for nearly three years.

'The refinancing of our credit facility in the fourth quarter was a significant accomplishment for the Company. By extending the maturity period, providing a favorable interest rate in a difficult credit market and eliminating certain financial covenants, this development further assured the necessary liquidity for the Company to implement its strategic plan.

'Now, as we prepare to open our new 782-room hotel tower at the Taj Mahal, which will be joined by other new hotel rooms in Atlantic City this year, we have an optimistic outlook on the future as we believe that Atlantic City is developing into a regional resort destination, that the worst of the impact of Pennsylvania is now behind us, and that we have built a Company prepared to grow by operating smarter and more efficiently than before.'

CONSOLIDATED RESULTS

The following table outlines the financial results (dollars in millions, except share data. Unaudited):

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Net revenues	\$228.6	\$244.2	\$988.2	\$1,026.3
Adjusted EBITDA ¹	\$22.6	\$34.2	\$144.4	\$168.0
Depreciation and amortization	(16.4)	(16.3)	(65.6)	(68.1)
Income from legal settlements, net of legal fees	28.8	-	28.8	1.7
Goodwill and other asset impairment charges	(238.7)	-	(238.7)	-
(Loss) income from operations	\$(203.7)	\$17.9	\$(131.1)	\$101.6
Loss from continuing operations	\$(183.2)	\$(10.3)	\$(198.2)	\$(19.1)
Income from discontinued operations	-	0.6	-	0.6
Net loss	\$(183.2)	\$(9.7)	\$(198.2)	\$(18.5)
Basic and diluted share data:				
Continuing operations	\$(5.89)	\$(0.33)	\$(6.38)	\$(0.62)
Discontinued operations	-	0.02	-	0.02
Basic and diluted net loss per share	\$(5.89)	\$(0.31)	\$(6.38)	\$(0.60)

The majority of the Company's loss from continuing operations during the quarter and year ended December 31, 2007 is attributable to (i) non-cash charges of \$238.7 million in goodwill and other asset impairment charges and \$4.1 million relating to the refinancing of the Company's credit facility, and (ii) the decrease in net revenues attributable to a decrease in gaming revenues of \$18.6 million and \$57.6 million for the quarter and year ended December 31, 2007, respectively. The Company attributes the decline in gaming revenues primarily to increased regional competition. These items were partially offset by \$28.8 million in income, net of legal fees, resulting from the settlement with the City of Atlantic City of various property tax appeals during 1997 through 2007, including \$12 million in cash.

In accordance with Statement of Financial Accounting Standards No.142 and No. 144, the Company performed its annual goodwill and other intangible asset impairment test during the fourth quarter of 2007. The goodwill and other intangibles were recorded in May 2005 when the Company utilized fresh-start accounting at a time when Atlantic City was reaching towards an all-time revenue peak, and general economic and credit market conditions were strong relative to today. Based upon the results of the impairment testing, the Company determined that, due to the effects of the recent increase in regional competition, the partial smoking ban in Atlantic City, and a general weakening of the economy and the credit markets, goodwill and trademarks had been impaired relative to the May 2005 valuation. As a result, the Company recognized goodwill and other intangible asset impairment charges totaling \$147.4 million, of which \$30.4 million related to the Taj

Mahal, \$53.1 million related to Trump Plaza and \$63.9 million related to Trump Marina. In addition, the Company recorded an asset impairment charge totaling \$91.3 million related to long-lived assets of Trump Marina.

During quarter and year ended December 31, 2007, the Company's gaming revenues outperformed the Atlantic City marketplace, as reported to the New Jersey Casino Control Commission. The following chart outlines those revenues:

(in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2007	2006	Change	FY2007	FY2006	Change
Trump	\$241.3	\$258.5	-6.7%	\$1,030.8	\$1,087.3	-5.2%
Competitors	889.0	978.2	-9.1%	3,889.9	4,130.4	-5.8%
Full Market	\$1,130.3	\$1,236.7	-8.6%	\$4,920.8	\$5,217.7	-5.7%

Slot revenue for the quarter decreased by 7.3%, or \$13.0 million, on a year-over-basis, compared to a 14.4% combined decrease for other Atlantic City gaming operators. For the full year 2007, the Company's slot revenue declined by 7.8%, or \$59.1 million, compared to a combined decrease of 9.2% by competitors on a year-over-year basis. The company attributes this decrease primarily to regional competition in Pennsylvania.

Table revenue for the quarter decreased by 5.2%, or \$4.2 million, on a year-over-year basis, compared to an overall 5.9% increase for the Company's competitors. For the quarter, table drop increased by \$20.9 million, or 4.5%. Table hold decreased by 157 basis points to 14.7%, resulting in a decrease in table win of \$7.7 million, or 9.6%. For the full year 2007, the Company's table game revenue increased by 0.8%, compared to an overall increase of 3.7% for the Company's competitors. For the same period, table drop increased \$65.1 million, or 3.4%. Table hold decreased by 36 basis points to 15.5%, resulting in a decrease in table win of \$7.1 million.

TrumpONE, the Company's unified marketing program and players' club, showed strong signs of success and customer acceptance since its launch in late June 2007. Between July and December 2007, 16% of database customers played at two or more properties, compared to 10% for the same period of 2006. This resulted in an increase of 41%, or \$9.3 million, in cross-property win. In addition, the Company launched retail stores and a merchandise catalogue in 2007 for customer points redemption, and plans to begin a cross-property shuttle in the coming weeks.

Revenue management initiatives continued to produce positive results as, for the year, hotel occupancy improved to 87.3% from 85.1%, revenue per available room ('RevPAR') increased 7.7% to \$79.89, and cash room revenue increased \$7.9 million to \$33.8 million.

Cost savings initiatives also continued to produce positive measurable results to the Company's bottom line, resulting in annual property-level payroll and benefit cost savings of \$15 million, or 4.1%, on a year-over-year basis.

The new Taj Mahal hotel tower remains on schedule and budget. The \$255 million project is expected to begin a phased opening by Labor Day 2008, and to be completed by the conclusion of the year.

Capital redevelopment projects at the Company's properties were substantially complete as of the end of the fourth quarter of 2007. At the Taj Mahal, the High Limit Gaming Salon was completed and casino floor renovations continued during the fourth quarter. Additionally, a refurbishment of the poker room has been completed in early 2008 and construction has begun on the Italian restaurant Il Mulino New York at the Taj Mahal, which is scheduled to open adjacent to the casino floor in August 2008.

Corporate & Other Expenses

Corporate and development costs decreased \$5.1 million and \$5.8 million for the quarter and year ended December 31, 2007, respectively, primarily due to lower development costs and a reduction in corporate payroll and benefit costs.

Capital Structure

The Company reported that as of December 31, 2007 it had cash of \$121.3 million excluding \$52.7 million of cash restricted in use primarily to fund construction of the new hotel tower at the Trump Taj Mahal. The Company indicated total debt had increased by \$236.5 million since December 31, 2006 to \$1,643.9 million at December 31, 2007. Capital expenditures for the year ended December 31, 2007 were approximately \$232 million, consisting of \$38 million maintenance capital, \$106 million renovation, and \$88 million for the Taj Mahal tower.

Capitalized interest during the year ended December 31, 2007 was \$4.2 million compared to \$1.2 million during the year ended December 31, 2006.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article31445.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html