Hotel News Resource

Riviera Reports First Quarter 2008 Results

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For the three months ended March 31, 2008, the Company's net revenue was $48.0 million, a decrease of $4.0 million, or 8 percent from the first quarter of 2007. Decreases in gaming, rooms and food and beverage revenues were partially offset by increases in entertainment and other revenues.

Income from operations was $6.7 million for the first quarter of 2008, a decrease of $2.2 million from the first quarter of 2007.

Adjusted EBITDA (1) was $10.3 million in the first quarter of 2008 compared with $12.5 million in the first quarter of 2007, a decrease of 17.0 percent. This decrease is attributable primarily to lower revenues, which were partially offset by reductions in payroll and market costs. Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization, equity-based compensation, asset impairments, and mergers, acquisitions and development costs, as shown in the reconciliation to net (loss) income in the tables and notes of this release. As of the first quarter of 2007, the Company no longer excludes Sarbanes-Oxley expenses in calculating adjusted EBITDA.

The Company reported a net loss for the first quarter of 2008 of $5.8 million or $(0.47) per share, compared to net income of $2.6 million or $0.20 per diluted share a year ago. The net loss for the first quarter of 2008 is attributable to effects of accounting associated with the interest rate swap agreement entered into by the Company when it refinanced its $215 million debt in July 2007. Non-cash charges of $8.3 million were booked in the first quarter 2008 for the accounting effects of the swap agreement. The Company had no swap costs in the 2007 period.

"Record-high gas prices, access issues due to neighboring construction problems, a state-wide smoking ban in casinos in Colorado, and a weakened economy all contributed to lower consolidated financial results in our first quarter of 2008," said William L. Westerman, Chairman and CEO. "Although we are disappointed with the declines in revenue and income, our results are consistent with what we are seeing throughout the gaming industry. We are all suffering from the weak economy and the consequential decrease in discretionary spending by consumers.

"We are, however, continuing to see strong demand for our in-house convention business in Las Vegas, including increases in room occupancy rates for convention guests and convention room revenue. In Black Hawk, we continue to generate solid EBITDA margin above 30 percent and fair share in excess of 120 percent. We expect our aggressive capital investment program, especially the Las Vegas room renovation project of approximately $20 million, to enhance our competitive position when the economy improves. In the interim, our management team continues to focus on the basics, including controlling costs to mitigate the reductions in revenue."

As of March 31, 2008, Riviera Holdings had $28.8 million of cash, in addition to a $20 million revolver.

Riviera Las Vegas

Riviera Las Vegas reported net revenues of $36.5 million for the first quarter, down $2.0 million or 5.3 percent compared to the first quarter of 2007. The decrease was primarily due to declines in hotel occupancy and gaming revenues. These declines are attributable to the ramifications of the slower U.S. economy and encumbered access to the Las Vegas property due to neighboring construction projects.

Las Vegas EBITDA of $7.4 million decreased $1.2 million from the first quarter of 2007. EBITDA margin was 20.3 percent compared with 22.4 percent in the first quarter of 2007. Cash ADR increased to $100.83, up $9.85 or 10.8 percent, compared to the same quarter last year.

In house conventions continue to perform strong as rooms occupied by convention guests increased by over 4,400, or 7.5 percent, and comprised 42.6 percent of total rooms sold. Convention room revenue for the quarter was $7.3 million, an increase of $1 million, or 15.4 percent, from the first quarter of 2007, and represented 49.5 percent of total cash room revenue. Total room revenue in the quarter was $15.9 million, down $0.4 million or 2.7 percent compared to the first quarter of 2007. Hotel room occupancy of 82 percent was down 11.6 percentage points compared to first quarter 2007 as a result of a decline in the overall leisure market segments. This market decline is due to a combination of bad weather throughout the East and Midwest, airline flight cancellations and declining economic conditions.

Robert Vannucci, President of Riviera Las Vegas, said, "Although we are disappointed with our first quarter results in Las Vegas there were many positive factors to recognize. Our in house convention business continues to be very strong and our rated gaming play was stable to prior year. Our management team did an outstanding job of controlling expenses and improving operating efficiencies to mitigate the decline in revenues and impact to EBITDA.

"Overall customer response to our casino and room refurbishment projects has been very positive. We are cautiously optimistic that our room pricing strategy of offering an upscale room product at a mid level price will help us continue to improve our ADR and occupancy levels for the long term. Our casino enhancements will position us to attract walk in traffic created by the multiple new resorts opening in our neighborhood. We believe our overall property-wide pricing strategies will attract many of the guests staying in these new resorts to our property."

Riviera Black Hawk

At Riviera Black Hawk, first quarter 2008 revenues were $11.5 million, a decrease of $2.0 million, or 15 percent from the first quarter of 2007. This decrease was the result of a 15 percent reduction in coin in, which is consistent with the overall decrease in the Black Hawk/Central City market.

EBITDA for the first quarter was $3.9 million, a decrease of $0.9 million, or 18.9 percent from the first quarter of 2007. The decrease was a result of the effects of the decline in revenues, which was partially offset by reductions in operating and marketing expenses.

The decrease in the market is attributable to several factors, most notably the ban on smoking in Colorado casinos, which went into effect January 1, 2008. Weather conditions, the deteriorating economy and high gas prices also contributed to the decline.

Mr. Westerman said, "Even with decreased market activity and lowered financial results, the property generated an excellent EBITDA margin of 34 percent. Additionally, our property continues to generate strong fair share in the Black Hawk/Central City market. The property generated a fair share for the three months ended March 31, 2008 of 124 percent, down slightly from the 127 percent in the first quarter of 2007. " Fair share is defined as total slot coin in the market divided by the number of slot machines in the market compared to our slot coin in and number of slot machines.

"Nick Polcino, who started as General Manager of Riviera Black Hawk in February, has already taken steps to streamline the organization and improve efficiency in both the gaming and food and beverage operations. I look forward to working with Nick to ensure Riviera will remain one of the leaders in the Black Hawk market," said Mr. Westerman.

Riviera Hires New CFO

Riviera also announced today the appointment of Mr. Phillip B. Simons as Chief Financial Officer and Treasurer. Mr. Simons will also serve as CFO, Treasurer and Vice President of Finance of Riviera Operating Corporation. Mr. Simons, 45, fills these positions vacated by Mr. Mark Lefever, who left the Company in March.

Since 1996, Mr. Simons has been responsible for the finance divisions at various large resorts and casinos. Most recently, he was VP of Finance for Wheeling Island Gaming, a casino owned by Delaware North Gaming and Entertainment in Wheeling, West Virginia. Before privatizing in December 2007, Wheeling Island Gaming was a publicly-traded company with reported revenues in excess of $220 million. Prior to that, Mr. Simons was in charge of the finance departments at El Conquistador Resort & Casino of Puerto Rico, a resort previously owned by Wyndham Resorts International and acquired by The Blackstone Group, Radisson Aruba Resort & Casino, owned by Carlson Hospitality Worldwide, Resort at Squaw Creek and Vail Cascade Resort, properties owned by Destination Hotels & Resorts, and Villa Del Palmar Resort and Spa of Mexico, owned by The Villa Group.

Mr. Westerman said, "Phil has a proven track record of adding bottom-line value to the companies where he has worked. He has an impressive record of business leadership with superior financial reporting, governance and management expertise. This acumen, along with his knowledge of and experience in the hospitality and gaming market, makes him an excellent fit within Riviera’s management team. We are very excited with Phil’s decision to join our team and look forward to working with him."

Prior to his positions in the hospitality and gaming industry, Mr. Simons was in the audit and business advisory group with Coopers & Lybrand, Trinity Financial, Petersen Consulting LP. He is a member of the Delaware Society of Certified Public Accountants. Mr. Simons also holds an M.B.A. from University of Redlands and a B.A. in Business Administration from Point Loma Nazarene University.