

## Ameristar Reports Second Quarter 2008 Results

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- **Completes St. Charles Hotel Expansion, Opens New Garage and Casino Expansion in Vicksburg One Month Early**
- **Rebrands Ameristar East Chicago**
- **Announces Workforce Reduction to Produce Annualized Savings of Approximately \$20 million**

Ameristar Casinos, Inc. (NASDAQ:ASCA) today announced financial results for the second quarter ended June 30, 2008.

"Economic conditions continued to result in difficult year-over-year comparisons," said Gordon Kanofsky, Chief Executive Officer and Vice Chairman. "On a same-store basis, net revenues were flat, while EBITDA declined 5.5 percent when compared to last year. In addition to the weakening economy, increased promotional spending companywide and the impact from the Colorado smoking ban contributed to lower margins."

"New amenities that came on line in the second quarter, including additional hotel rooms at St. Charles and the earlier than anticipated opening of the parking garage and casino expansion at Vicksburg, helped to drive some market share growth at those locations. Also, in late June, we completed the rebranding of our East Chicago property to 'Ameristar.'"

These projects, along with the Black Hawk hotel under construction, are expected to help set the stage for future growth once the economy recovers. In the meantime, our new senior management team has implemented a strategic plan to improve efficiencies and reduce the Company's cost structure as weak economic conditions continue to adversely impact business volumes.

As a result, we recently terminated 244 team members, or approximately 3 percent of our workforce. We have further reduced our workforce by the equivalent of an additional 150 full-time positions through changes in scheduling and staffing practices and attrition. These actions are expected to produce annualized savings of approximately \$20 million, which is 6 percent of our compensation expense for the twelve months ended June 30, 2008. The workforce reduction will result in a pre-tax charge to our third quarter 2008 earnings of approximately \$2.0 million for severance costs.

"Regrettably, we have reduced our workforce as the economic downturn is more prolonged than many economists expected," noted Kanofsky. "In response to the weakness in the economy, we first attempted to drive incremental profitable revenue through increased promotional activity in the first and second quarters, which proved unsuccessful. Therefore, in addition to the staffing adjustments, we began curtailing promotional spending in the third quarter, and we plan to make more significant reductions beginning in the fourth quarter compared to second quarter levels. These operating and marketing initiatives will better align our costs with current consumer spending trends, which we expect will ultimately improve our margins going forward. We believe we can successfully manage our cost structure without compromising on the high quality guest experience for which Ameristar has long been known."

### **Second Quarter 2008 Financial Results**

For the second quarter of 2008, we had net revenues of \$328.1 million compared to \$253.2 million in last year's second quarter. Included in 2008 results were net revenues of \$74.5 million from the East Chicago property, which we acquired on September 18, 2007.

Operating income for the second quarter of 2008 was \$48.0 million, compared to \$43.3 million in the same 2007 period. Same-store operating income in the 2008 second quarter was \$40.0 million, a decrease of \$3.3 million, or 7.7 percent, from the 2007 second quarter.

Adjusted EBITDA for the second quarter of 2008 was \$77.7 million, compared to \$67.2 million for the 2007 second quarter. Adjusted EBITDA for the 2008 second quarter represents EBITDA of \$74.6 million, excluding:

transition and rebranding costs of \$1.8 million related to the East Chicago property,

pre-opening expenses of \$1.1 million related to the St. Charles hotel, and

pre-opening expenses of \$0.2 million related to the Vicksburg casino expansion and new garage.

For the quarter ended June 30, 2007, Adjusted EBITDA excludes \$0.2 million in pre-opening expenses associated with the St. Charles hotel. East Chicago, which the Company did not own in the 2007 second quarter, accounted for \$13.1 million of Adjusted EBITDA in the 2008 second quarter.

Financial results were adversely impacted by a significant increase in promotional spending. Same-store promotional allowances increased 29.7 percent over the prior-year second quarter as a result of the aggressive companywide marketing program designed to capture profitable incremental revenue and our efforts to introduce gaming customers to the new hotel and spa in St. Charles.

Adjusted EBITDA margin declined 2.8 percentage points compared to the second quarter of 2007, on a same-store basis, Adjusted EBITDA margin declined 1.0 percentage point. The inclusion of the East Chicago property negatively impacts the consolidated margin due to the higher gaming tax rate in Indiana compared to the other jurisdictions in which we operate. Additionally, lower margins resulted from the impact of the weakening economy on our gaming revenue and the increased promotional spending that we are now curtailing.

For the second quarter of 2008, we had net income of \$17.0 million, or \$0.29 per share on a diluted basis. In last year's second quarter, we reported net income of \$17.3 million, or \$0.30 per diluted share. Adjusted EPS, representing diluted earnings per share excluding the after-tax impacts of the transition and rebranding costs and pre-opening expenses, was \$0.32 for the quarter ended June 30, 2008, compared to \$0.30 for the 2007 second quarter.

More information on the non-GAAP financial measures EBITDA, Adjusted EBITDA and Adjusted EPS can be found under the caption "Use of Non-GAAP Financial Measures" at the end of this release.

### **Property Highlights**

**St. Charles.** At St. Charles, net revenues increased \$3.6 million or 5.0 percent over the 2007 second quarter, primarily as a result of the completion of the new 400-suite hotel. However, Adjusted EBITDA decreased \$0.7 million or 3.0 percent year over year due to higher costs associated with operating the hotel and other recently added amenities. Market share increased 1.0 percentage point to 29.3 percent from the first quarter of 2008.

**Vicksburg.** We substantially completed the casino expansion and the new 1,000-space parking garage at our Vicksburg property in late May, one month ahead of schedule. As a result of this project, we further strengthened our dominant market share position and achieved 50.6 percent market share in June, an increase of 2.7 percentage points over our May market share.

A new VIP lounge was completed in July and two additional restaurants are scheduled to open by this fall. Additionally, we are planning a limited refurbishment of the existing casino that is expected to be completed later this year at a cost of approximately \$6 million.

**Council Bluffs.** Ameristar Council Bluffs increased net revenues and EBITDA by 1.6 percent and 2.6 percent, respectively, over the prior-year second quarter. The Council Bluffs market appears to be withstanding the tough economy better than our other markets as evidenced by market growth of 2.4 percent over the 2007 second quarter without any change in the competitive environment.

**East Chicago.** We rebranded our East Chicago property to "Ameristar" on June 24 following the completion of a number of enhancements to the property, including improved food and beverage offerings in keeping with our commitment to culinary excellence. The casino floor was remodeled to include a new design and layout as well as an enhanced mix of games. We also introduced our Ameristar Star Awards players' program to guests. The total cost of the rebranding renovations and related promotional and other expenses is approximately \$30 million, of which approximately \$2.8 million has been expensed in 2008. Second quarter 2008 market share increased 1.8 percentage points on a year-over-year basis and 0.3 percentage point compared to the first quarter of 2008.

**Black Hawk.** The entire Colorado market, including Ameristar Black Hawk, continues to be adversely impacted by the statewide smoking ban that became effective for casinos on January 1, 2008. The smoking ban, high fuel prices and the difficult economic conditions resulted in an 11.3 percent contraction in the Black Hawk gaming market compared to second quarter of 2007.

### **Additional Second Quarter 2008 Financial Information**

Corporate expense declined \$0.8 million year over year, due mostly to decreases in employee benefit costs and professional fees, which were partially offset by a \$1.8 million increase in severance pay primarily associated with the recent senior management changes, as well as expenses related to ballot initiatives in Missouri and Colorado that, if successful, are expected to lead to substantial growth in 2009.

Stock-based compensation expense was \$2.5 million, compared to \$2.9 million in the 2007 second quarter.

Net interest expense was \$15.8 million compared to \$11.1 million in the second quarter of 2007, and capitalized interest was \$4.2 million compared to \$4.6 million in the second quarter of 2007.

Capital expenditures for the quarter were \$72.2 million, including:

Vicksburg expansion: \$24.4 million

Black Hawk hotel: \$24.1 million

Slot product: \$7.9 million

St. Charles hotel and expansion: \$5.7 million

East Chicago rebranding renovations: \$4.4 million.

At June 30, 2008, total debt was \$1.6 billion, a decrease of \$23.2 million from December 31, 2007. During the second quarter, net borrowings were \$3.0 million, in July, we borrowed an additional \$30.0 million under our revolving loan facility.

We entered into a two-year interest rate swap agreement, effective July 18, 2008, to fix the interest rate on \$500.0 million of LIBOR-based borrowings under our senior revolving loan facility at 3.1975% plus the applicable margin, which is currently 1.75%. We expect the swap to be "highly effective" (as defined under applicable accounting literature) as a cash flow hedging instrument and, therefore, the value of the swap (net of tax) will be primarily recorded as accumulated other comprehensive income as part of stockholders' equity.

## **Outlook**

"We expect current difficult business conditions to continue at least through the second half of 2008, reflecting the impact of the general economic slowdown and higher fuel prices on the gaming industry," Kanofsky said. "Ameristar remains focused on delivering the highest quality guest experience in our markets while diligently seeking to maximize profitability. Our efforts to adjust our workforce and promotional spending to obtain greater efficiencies, combined with the capital investments we have made, should position us well to capture additional growth again once the economy starts to rebound."

For the full year 2008, we currently expect:

depreciation to range from \$108 million to \$111 million,

interest expense to be between \$79 million and \$84 million,

capitalized interest of \$13 million to \$15 million,

the combined federal and state income tax rate, excluding the effect of the East Chicago impairment loss recorded in the first quarter of 2008, to be in the range of 45 percent to 46 percent,

capital spending of \$255 million to \$275 million, and

non-cash stock-based compensation expense of \$10 million to \$11 million.

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