

WYNN RESORTS LTD
Form 10-Q
May 09, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
 ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
 ACT OF 1934**

For the transition period from to

Commission File No. 000-50028

WYNN RESORTS, LIMITED

(Exact name of registrant as specified in its charter)

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NEVADA
(State or other jurisdiction of

46-0484987
(I.R.S. Employer

incorporation or organization)

Identification No.)

3131 Las Vegas Boulevard South - Las Vegas, Nevada 89109

(Address of principal executive offices) (Zip Code)

(702) 770-7555

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, \$0.01 par value

Outstanding at April 30, 2008
111,834,048

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,239,269	\$ 1,275,120
Receivables, net	156,224	179,059
Inventories	75,702	73,291
Deferred income taxes	22,817	24,746
Prepaid expenses and other	34,162	29,775
Total current assets	1,528,174	1,581,991
Restricted cash and investments	290,491	531,120
Property and equipment, net	4,156,650	3,939,979
Intangibles, net	52,354	60,074
Deferred financing costs	79,005	83,087
Deposits and other assets	93,341	97,531
Investment in unconsolidated affiliates	5,520	5,500
Total assets	\$ 6,205,535	\$ 6,299,282
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and construction payable	\$ 173,953	\$ 182,718
Current portion of long-term debt	3,078	3,273
Current portion of land concession obligation	5,895	5,738
Income taxes payable	1,052	138
Accrued interest	40,308	12,478
Accrued compensation and benefits	56,266	93,097
Gaming taxes payable	87,956	75,014
Other accrued expenses	24,995	18,367
Customer deposits and other related liabilities	141,046	177,605
Construction retention	28,936	16,755
Total current liabilities	563,485	585,183
Long-term debt	3,658,789	3,533,339
Other long-term liabilities	47,991	39,335
Long-term land concession obligation	3,059	6,029
Deferred income taxes	145,768	152,953
Construction retention	28,962	34,284
Total liabilities	4,448,054	4,351,123
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, par value \$0.01; 40,000,000 shares authorized; zero shares issued and outstanding	1,162	1,162

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Common stock, par value \$0.01; 400,000,000 shares authorized;

116,186,661 and 116,259,411 shares issued;

111,832,798 and 114,370,090 shares outstanding

Treasury stock, at cost; 4,353,863 and 1,889,321 shares	(423,412)	(179,277)
Additional paid-in capital	2,276,879	2,273,078
Accumulated other comprehensive loss	(873)	(2,905)
Accumulated deficit	(96,275)	(143,899)

Total stockholders' equity	1,757,481	1,948,159
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Total liabilities and stockholders' equity	\$ 6,205,535	\$ 6,299,282
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2008	2007
Operating revenues:		
Casino	\$ 591,771	\$ 457,192
Rooms	85,262	85,291
Food and beverage	91,065	87,883
Entertainment, retail and other	68,154	52,205
Gross revenues	836,252	682,571
Less: promotional allowances	(57,546)	(47,254)
Net revenues	778,706	635,317
Operating costs and expenses:		
Casino	388,378	264,725
Rooms	20,331	20,976
Food and beverage	51,671	54,255
Entertainment, retail and other	44,617	35,101
General and administrative	79,262	78,166
Provision for doubtful accounts	11,522	7,741
Pre-opening costs	5,323	1,836
Depreciation and amortization	62,732	51,524
Property charges and other	24,267	13,269
Total operating costs and expenses	688,103	527,593
Equity in income from unconsolidated affiliates	808	455
Operating income	91,411	108,179
Other income (expense):		
Interest income and other	11,074	12,100
Interest expense, net of capitalized interest	(45,268)	(37,673)
Decrease in swap fair value	(15,212)	(475)
Loss from extinguishment of debt		(157)
Other income (expense), net	(49,406)	(26,205)
Income before income taxes	42,005	81,974
Benefit (provision) for income taxes	4,712	(23,569)
Net income	\$ 46,717	\$ 58,405
Basic and diluted income per common share:		
Net income:		

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Basic	\$ 0.42	\$ 0.58
Diluted	\$ 0.41	\$ 0.54
Weighted average common shares outstanding:		
Basic	112,413	101,402
Diluted	113,648	112,348

The accompanying notes are an integral part of these condensed consolidated financial statements.

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(amounts in thousands)

(unaudited)

	Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 46,717	\$ 58,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,732	51,524
Deferred income taxes	(5,754)	23,569
Stock-based compensation	3,418	4,460
Amortization and writeoffs of deferred financing costs, and other	5,482	4,050
Loss on extinguishment of debt		157
Provision for doubtful accounts	11,522	7,741
Property charges and other	24,267	13,269
Equity in income of unconsolidated affiliates, net of distributions	(20)	1,136
Decrease in swap fair value	15,212	475
Increase (decrease) in cash from changes in:		
Receivables, net	11,405	7,285
Inventories and prepaid expenses and other	(7,339)	(2,101)
Accounts payable and accrued expenses	(29,300)	5,444
Net cash provided by operating activities	138,342	175,414
Cash flows from investing activities:		
Capital expenditures, net of construction payables and retention	(283,390)	(148,039)
Restricted cash and investments	(270)	92,490
Purchase of other assets	(10,221)	(39,235)
Proceeds from sale of equipment		1,632
Net cash used in investing activities	(293,881)	(93,152)
Cash flows from financing activities:		
Proceeds from exercise of stock options	215	1,865
Proceeds from issuance of long-term debt	125,000	62,000
Principal payments on long-term debt	(1,097)	(127,599)
Cash and investments restricted for stock repurchases	240,899	
Purchase of treasury stock	(244,135)	
Payments on long-term land concession obligation	(2,838)	(4,659)
Payment of deferred financing costs and other	(145)	
Net cash provided by (used) in financing activities	117,899	(68,393)
Effect of exchange rate on cash	1,789	(1,643)
Cash and cash equivalents:		
Increase (decrease) in cash and cash equivalents	(35,851)	12,226
Balance, beginning of period	1,275,120	789,407

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Balance, end of period	\$ 1,239,269	\$ 801,633
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Basis of Presentation

Organization

Wynn Resorts, Limited, a Nevada corporation (together with its subsidiaries, Wynn Resorts or the Company), was formed in June 2002 and completed an initial public offering of its common stock on October 25, 2002.

In June 2002, the Company's indirect subsidiary, Wynn Resorts (Macau), S.A. (Wynn Macau, S.A.), entered into an agreement with the government of the Macau Special Administrative Region of the People's Republic of China (Macau), granting Wynn Macau, S.A. the right to construct and operate one or more casino gaming properties in Macau. Wynn Macau, S.A.'s first casino resort in Macau is hereinafter referred to as Wynn Macau.

The Company currently owns and operates two casino hotel resort properties, Wynn Las Vegas, which opened on April 28, 2005 and Wynn Macau, which opened on September 6, 2006. In addition, the Company is constructing Encore at Wynn Las Vegas and Encore at Wynn Macau (previously known as Wynn Diamond). Encore at Wynn Las Vegas is expected to open in December 2008. Encore at Wynn Macau is expected to open in the first half of 2010.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in the 50%-owned joint ventures operating the Ferrari and Maserati automobile dealership and the Brioni mens' retail clothing store inside Wynn Las Vegas are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated.

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results for the interim periods have been made. The results for the three months ended March 31, 2008 are not necessarily indicative of results to be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

2. Summary of Significant Accounting Policies

Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues credit in the form of markers to approved casino customers following investigations of creditworthiness. At March 31, 2008 and December 31, 2007, approximately 70% and 65%, respectively, of the Company's markers were due from customers residing outside the United States, primarily in Asia. Business or economic conditions or other significant events in these countries could affect the collectibility of such receivables.