

FULL HOUSE RESORTS INC  
Form 10-Q  
August 10, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q  
(Mark  
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
For the quarterly period ended June 30, 2018

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. 1-32583

FULL HOUSE RESORTS, INC.  
(Exact name of registrant as specified in its charter)  
Delaware 13-3391527  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

One Summerlin, 1980 Festival Plaza Drive, Suite 680 89135  
Las Vegas, Nevada (Zip Code)  
(Address of principal executive offices)  
(702) 221-7800  
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or emerging growth company. See definition of "large accelerated filer," "accelerated filer", "small reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):  
Large Accelerated Filer  Accelerated Filer   
Non Accelerated Filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act: Yes  No

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

As of August 6, 2018, there were 26,932,169 shares of Common Stock, \$0.0001 par value per share, outstanding.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Casino (1)	\$28,632	\$35,787	\$55,602	\$71,693
Food and beverage (1)	8,783	8,100	16,722	15,999
Hotel (1)	2,582	2,237	4,865	4,315
Other operations	1,230	1,243	1,969	2,017
Gross revenues	41,227	47,367	79,158	94,024
Less promotional allowances (1)	—	(7,246 )	—	(14,283 )
Net revenues	41,227	40,121	79,158	79,741
Operating costs and expenses				
Casino (1)	11,282	18,874	22,366	37,454
Food and beverage (1)	9,757	3,160	18,883	6,132
Hotel (1)	2,652	276	5,139	478
Other operations (1)	834	571	1,348	851
Selling, general and administrative (1)	12,462	13,728	24,424	26,812
Project development and acquisition costs	130	53	167	185
Depreciation and amortization	2,038	2,138	4,206	4,235
Loss (gain) on disposal of assets, net	69	(14 )	79	(1 )
	39,224	38,786	76,612	76,146
Operating income	2,003	1,335	2,546	3,595
Other (expense) income				
Interest expense, net of \$171 and \$216 capitalized for the three and six months ended June 30, 2018	(2,466 )	(2,705 )	(5,006 )	(5,384 )
Loss on extinguishment of debt	—	—	(2,673 )	—
Adjustment to fair value of warrants	(80 )	30	423	30
	(2,546 )	(2,675 )	(7,256 )	(5,354 )
Loss before income taxes	(543 )	(1,340 )	(4,710 )	(1,759 )
Provision for income taxes	118	184	237	368
Net loss	\$(661 )	\$(1,524 )	\$(4,947 )	\$(2,127 )
Basic loss per share	\$(0.02 )	\$(0.07 )	\$(0.20 )	\$(0.09 )
Diluted loss per share	\$(0.02 )	\$(0.07 )	\$(0.21 )	\$(0.09 )

On January 1, 2018, the Company adopted Accounting Standards Codification No. 606, Revenue from Contracts (1) with Customers (“ASC 606”), using the modified retrospective method, which impacts the comparability of these line items.

See condensed notes to consolidated financial statements.



FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)

	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 22,726	\$ 19,910
Accounts receivable, net of allowance of \$105 and \$103	1,530	1,760
Inventories	1,551	1,692
Prepaid expenses and other	4,644	2,849
	30,451	26,211
Property and equipment, net	117,661	114,058
Goodwill	21,286	21,286
Intangible assets, net of accumulated amortization of \$7,779 and \$7,763	10,926	10,936
Deposits and other	1,031	994
	\$ 181,355	\$ 173,485
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,927	\$ 5,182
Accrued payroll and related	3,864	3,115
Other accrued expenses	7,955	8,846
Common stock warrant liability	2,074	—
Current portion of long-term debt	1,000	1,000
Current portion of capital lease obligation	451	421
	21,271	18,564
Other long-term obligations	179	2,689
Long-term debt, net of current portion	94,362	93,566
Capital lease obligation, net of current portion	4,605	4,861
Deferred tax liability	1,994	1,757
	122,411	121,437
Commitments and contingencies (Notes 6, 7 and 9)		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 28,288,764 and 24,294,084 shares issued and 26,932,169 and 22,937,489 shares outstanding	3	2
Additional paid-in capital	63,710	51,868
Treasury stock, 1,356,595 common shares	(1,654)	(1,654)
Retained earnings (deficit)	(3,115)	1,832
	58,944	52,048
	\$ 181,355	\$ 173,485

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)  
(In thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Dollars		Shares	Dollars		
Balance, January 1, 2018	24,294	\$ 2	\$ 51,868	1,357	\$(1,654)	\$ 1,832	\$ 52,048
Stock grants	34	—	104	—	—	—	104
Registered direct offering	3,943	1	11,435	—	—	—	11,436
Share-based compensation	18	—	303	—	—	—	303
Net loss	—	—	—	—	—	(4,947 )	(4,947 )
Balance, June 30, 2018	28,289	\$ 3	\$ 63,710	1,357	\$(1,654)	\$(3,115 )	\$ 58,944

See condensed notes to consolidated financial statements.

FULL HOUSE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(In thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(4,947)	\$(2,127)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,206	4,235
Amortization of debt issuance and warrant costs	398	439
Share-based compensation	407	269
Change in fair value of stock warrants	(423 )	(30 )
Debt extinguishment costs	2,673	—
Loss (gain) on disposal of assets and other	80	(14 )
Increases and decreases in operating assets and liabilities:		
Accounts receivable	230	711
Prepaid expenses, inventories and other	(1,652 )	(1,985 )
Deferred taxes	237	367
Accounts payable and accrued expenses	(538 )	458
Net cash provided by operating activities	671	2,323
Cash flows from investing activities:		
Purchase of property and equipment	(6,744 )	(6,252 )
Other	(234 )	(40 )
Net cash used in investing activities	(6,978 )	(6,292 )
Cash flows from financing activities:		
Payment of First and Second Lien Term Loans	(96,063 )	(563 )
Prepayment premium of Second Lien Term Loan	(1,100 )	—
Proceeds from Senior Secured Notes borrowings	100,000	—
Payment of debt issuance costs	(4,044 )	(281 )
Payment of Interest Rate Cap premium	(238 )	—
Repayment of Senior Secured Notes principal		