

Red Rock Resorts Announces First Quarter 2020 Results

LAS VEGAS, May 19, 2020 /PRNewswire/ -- Red Rock Resorts, Inc. ("Red Rock Resorts," "we" or the "Company") (NASDAQ: RRR) today reported financial results for the first quarter ended March 31, 2020.

Impact of COVID-19 Pandemic

The unprecedented challenges presented by the COVID-19 pandemic have significantly impacted the Company's business operations. While Las Vegas operations, excluding Palms, recorded their best operating performance in January and February since 2008, the circumstances abruptly changed in mid-March due to the COVID-19 pandemic.

On March 17, 2020, the Company announced the temporary shutdown of all its Las Vegas properties, consistent with the statewide directive issued by the Governor of Nevada due to the COVID-19 pandemic. In addition, on March 17, 2020, the Graton Resort & Casino ("Graton Resort") in northern California, which is managed by the Company, temporarily closed as a result of the COVID-19 pandemic. Those properties also remain closed as of today.

On May 1, 2020, the Company announced a phased reopening program with respect to its Las Vegas properties. Pursuant to that program, the Company expects to reopen its Red Rock, Green Valley Ranch, Santa Fe Station, Boulder Station, Palace Station and Sunset Station properties, together with its Wildfire properties, when permitted to do so by governmental authorities. Also pursuant to that program, the Company will assess the performance of the first-to-reopen properties before reopening its Palms, Texas Station, Fiesta Henderson and Fiesta Rancho properties.

First Quarter Results:

Net revenues were \$377.4 million for the first quarter of 2020, a decrease of 15.6%, or \$69.6 million, from \$447.0 million for the same period of 2019, due to the temporary closure of all of the Company's properties, as explained above.

Net loss was \$177.8 million for the first quarter of 2020, a decrease of \$198.1 million, from a net income of \$20.3 million for the same period of 2019, due to the temporary closure of all of the Company's properties, as explained above, plus a noncash charge of \$113.2 million related to the establishment of a full valuation allowance on certain tax assets.

Adjusted EBITDA⁽¹⁾ was \$74.3 million for the first quarter of 2020, a decrease of 48.8%, or \$70.8 million, from \$145.1 million in the same period of 2019, primarily due to the temporary closure of all of the Company's properties, as explained above. That amount also includes the impact of \$27 million of expense accrued within the quarter related to the Company's commitment to provide regular wages and benefits to all of its full-time team members for the period from April 1 to April 30, 2020, which was offset in part by the receivable recorded from the CARES Act employee retention credit of \$20 million.

Las Vegas Operations

Net revenues from Las Vegas operations were \$356.5 million for the first quarter of 2020, a decrease of 15.6%, or \$65.9 million, from \$422.4 million in the same period of 2019, due to the temporary closure of all of the Company's Las Vegas properties, as explained above.

Adjusted EBITDA from Las Vegas operations was \$68.5 million for the first quarter of 2020, a decrease of 49.2%, or \$66.3 million, from \$134.8 million in the same period of 2019, primarily due to the temporary closure of all of the Company's Las Vegas properties, as explained above. That amount also includes the impact of the wage and benefit accrual referred to above, offset in part by the CARES Act receivable referred to above.

Native American Management

Adjusted EBITDA from Native American operations was \$17.6 million for the first quarter of 2020, a 18.0% decrease from \$21.5 million in the same period of 2019, due to the temporary closure of Graton Resort.

Balance Sheet Highlights

The Company's cash and cash equivalents at March 31, 2020 were \$1.091 billion and total principal amount of debt outstanding at the end of the first quarter was \$4.052 billion. As defined in the Company's credit agreement, its debt to Adjusted EBITDA and interest coverage ratios on a covenant basis at March 31, 2020 were 4.16x and 6.36x, respectively.

Quarterly Dividend

The Company's Board of Directors has suspended the quarterly dividend for the remainder of 2020.

Conference Call Information

The Company will host a conference call today at 4:30 p.m. Eastern Time to discuss its financial results. The conference call

will consist of prepared remarks from the Company and include a question and answer session. Those interested in participating in the call should dial (888) 317-6003, or (412) 317-6061 for international callers, approximately 15 minutes before the call start time. Please use the passcode: 0427641. A replay of the call will be available from today through May 26, 2020 at www.redrockresorts.com. A live audio webcast of the call will also be available at www.redrockresorts.com.

Presentation of Financial Information

(1) Adjusted EBITDA is a non-GAAP measure that is presented solely as a supplemental disclosure. We believe that Adjusted EBITDA is a widely used measure of operating performance in our industry and is a principal basis for valuation of gaming companies. We believe that in addition to net income, Adjusted EBITDA is a useful financial performance measurement for assessing our operating performance because it provides information about the performance of our ongoing core operations excluding non-cash expenses, financing costs, and other non-operational or non-recurring items. Adjusted EBITDA includes net (loss) income plus depreciation and amortization, share-based compensation, write-downs and other charges, net (including net losses on asset disposals, redevelopment and reopening expenses, severance, business innovation and technology enhancements), interest expense, net, loss on extinguishment/modification of debt, net, change in fair value of derivative instruments, provision for income tax and other.

Company Information and Forward Looking Statements

Red Rock Resorts owns a majority indirect equity interest in and manages Station Casinos LLC ("Station Casinos"). Station Casinos is the leading provider of gaming and entertainment to the residents of Las Vegas, Nevada. Station Casinos' properties, which are located throughout the Las Vegas valley, are regional entertainment destinations and include various amenities, including numerous restaurants, entertainment venues, movie theaters, bowling and convention/banquet space, as well as traditional casino gaming offerings such as video poker, slot machines, table games, bingo and race and sports wagering. Station Casinos owns and operates Red Rock Casino Resort Spa, Green Valley Ranch Resort Spa Casino, Palms Casino Resort, Palace Station Hotel & Casino, Boulder Station Hotel & Casino, Sunset Station Hotel & Casino, Santa Fe Station Hotel & Casino, Texas Station Gambling Hall & Hotel, Fiesta Rancho Casino Hotel, Fiesta Henderson Casino Hotel, Wildfire Rancho, Wildfire Boulder, Wild Wild West Gambling Hall & Hotel, Wildfire Sunset, Wildfire Valley View, Wildfire Anthem and Wildfire Lake Mead. Station Casinos also owns a 50% interest in Barley's Casino & Brewing Company, Wildfire Casino & Lanes and The Greens. In addition, Station Casinos is the manager of Graton Resort & Casino in northern California.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include, without limitation, statements regarding our expectations, hopes or intentions regarding the future. These forward looking statements can often be identified by their use of words such as "will", "might", "predict", "continue", "forecast", "expect", "believe", "anticipate", "outlook", "could", "would", "target", "project", "intend", "plan", "seek", "estimate", "pursue", "should", "may" and "assume", or the negative thereof, as well as variations of such words and similar expressions referring to the future. Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Certain important factors, including but not limited to, financial market risks, could cause our actual results to differ materially from those expressed in our forward-looking statements. Further information on potential factors which could affect our financial condition, results of operations and business includes, without limitation, the extent and duration of the impact of the COVID-19 pandemic on the Company's business, financial results and liquidity; the duration of the closure of the Company's properties; the impact and cost of new operating procedures expected to be implemented upon re-opening of the Company's properties; the impact of actions that the Company has undertaken to reduce costs and improve efficiencies to mitigate losses as a result of the COVID-19 pandemic; the impact of the COVID-19 pandemic, and resulting unemployment and changes in general economic conditions on discretionary spending and consumer demand; the impact of our substantial indebtedness; the effects of local and national economic, credit and capital market conditions on consumer spending and the economy in general, and on the gaming and hotel industries in particular; the effects of competition, including locations of competitors and operating and market competition; changes in laws, including increased tax rates, regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies (including the current government-mandated property closures); risks associated with construction projects, including disruption of our operations, shortages of materials or labor, unexpected costs, unforeseen permitting or regulatory issues and weather; litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation; acts of war or terrorist incidents or natural disasters; risks associated with the collection and retention of data about our customers, employees, suppliers and business partners; and other risks discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and in the Company's other current and periodic reports filed from time to time with the Securities and Exchange Commission. All forward-looking statements in this document are made based on information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement.

View source version on <http://redrockresorts.investorroom.com/>:

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Red Rock Resorts, Inc.
Condensed Consolidated Statements of Operations
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2020	2019
Operating revenues:		
Casino	\$ 208,267	\$ 244,933
Food and beverage	88,331	104,933
Room	40,076	48,075
Other	21,357	25,922
Management fees	19,357	23,159
Net revenues	<u>377,388</u>	<u>447,022</u>
Operating costs and expenses:		
Casino	83,275	82,940
Food and beverage	92,486	92,236
Room	20,673	20,196
Other	9,634	11,859
Selling, general and administrative	101,273	99,065
Depreciation and amortization	58,534	50,853
Write-downs and other charges, net	8,807	23,728
	<u>374,682</u>	<u>380,877</u>
Operating income	2,706	66,145
Earnings from joint ventures	202	505
Operating income and earnings from joint ventures	<u>2,908</u>	<u>66,650</u>
Other expense:		
Interest expense, net	(36,058)	(37,438)
Loss on extinguishment/modification of debt, net	(11,411)	(302)
Change in fair value of derivative instruments	(20,010)	(6,638)
Other	(44)	(69)
	<u>(67,523)</u>	<u>(44,447)</u>
(Loss) income before income tax	(64,615)	22,203
Provision for income tax	(113,185)	(1,919)
Net (loss) income	<u>(177,800)</u>	<u>20,284</u>
Less: net (loss) income attributable to noncontrolling interests	(25,601)	8,961
Net (loss) income attributable to Red Rock Resorts, Inc.	<u>\$ (152,199)</u>	<u>\$ 11,323</u>
(Loss) earnings per common share:		
(Loss) earnings per share of Class A common stock, basic	\$ (2.18)	\$ 0.16
(Loss) earnings per share of Class A common stock, diluted	\$ (2.18)	\$ 0.16
Weighted-average common shares outstanding:		
Basic	69,962	69,397
Diluted	69,962	116,693
Dividends declared per common share	\$ 0.10	\$ 0.10

Red Rock Resorts, Inc.
Segment Information and Reconciliation of Net (Loss) Income to Adjusted EBITDA
(amounts in thousands)

(unaudited)

	Three Months Ended March 31,	
	2020	2019
Net revenues		
Las Vegas operations	\$ 356,465	\$ 422,370
Native American management	19,260	22,996
Reportable segment net revenues	<u>375,725</u>	<u>445,366</u>
Corporate and other	1,663	1,656
Net revenues	<u>\$ 377,388</u>	<u>\$ 447,022</u>
Net (loss) income	\$ (177,800)	\$ 20,284
Adjustments		
Depreciation and amortization	58,534	50,853
Share-based compensation	4,053	3,853
Write-downs and other charges, net	8,807	23,728
Interest expense, net	36,058	37,438
Loss on extinguishment/modification of debt, net	11,411	302
Change in fair value of derivative instruments	20,010	6,638
Provision for income tax	113,185	1,919
Other	42	69
Adjusted EBITDA	<u>\$ 74,300</u>	<u>\$ 145,084</u>
Adjusted EBITDA		
Las Vegas operations	\$ 68,485	\$ 134,754
Native American management	17,601	21,476
Reportable segment Adjusted EBITDA	<u>86,086</u>	<u>156,230</u>
Corporate and other	(11,786)	(11,146)
Adjusted EBITDA	<u>\$ 74,300</u>	<u>\$ 145,084</u>

SOURCE Red Rock Resorts, Inc.

<https://redrockresorts.investorroom.com/2020-05-19-Red-Rock-Resorts-Announces-First-Quarter-2020-Results>