

PENN NATIONAL GAMING INC

Form 10-Q

November 08, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission File Number: 0-24206

PENN NATIONAL GAMING, INC.

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(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2234473
(I.R.S. Employer
Identification No.)

825 Berkshire Blvd., Suite 200

Wyomissing, PA 19610

(Address of principal executive offices) (Zip Code)

610-373-2400

(Registrant's telephone number, including area code)

Not Applicable

(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 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, 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 ☐
(Do not check if a smaller reporting company)

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.

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Title	Outstanding as of November 6, 2013
Common Stock, par value \$.01 per share	77,346,817 (includes 291,811 shares of restricted stock)

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This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the use of forward-looking terminology such as believes, estimates, expects, intends, may, will, should, anticipates or the negative or other variation of these or similar words, or by discussions of future events, strategies, or risks and uncertainties. Actual results may vary materially from expectations. Although Penn National Gaming, Inc. (Penn) and its subsidiaries (together with Penn, collectively, the Company) believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Meaningful factors that could cause actual results to differ from expectations include, but are not limited to, risks related to the following: the separation from the Company of Gaming and Leisure Properties, Inc. (GLPI) a newly formed publicly traded entity that intends to qualify as a real estate investment trust, (the Spin-Off), including the expected tax treatment of the transaction, the ability of the Company to conduct and expand its business following the Spin-Off, the Company's ability to pay a significant portion of its cash flows as rent payments to GLPI and the diversion of management's attention from traditional business concerns; our ability to obtain timely regulatory approvals required to own, develop and/or operate our facilities, or other delays or impediments to completing our planned acquisitions or projects, including favorable resolution of any related litigation, including the ongoing appeal by the Ohio Roundtable addressing the legality of video lottery terminals in Ohio and litigation against the Ohio Racing Commission concerning opposition to relocating Penn's Toledo racetrack to the Dayton area; our ability to secure federal, state and local permits and approvals necessary for construction; construction factors, including delays, unexpected remediation costs, local opposition and increased cost of labor and materials; our ability to reach agreements with the thoroughbred and harness horseman in Ohio in connection with the proposed relocations and to otherwise maintain agreements with our horseman, pari-mutuel clerks and other organized labor groups; with respect to the proposed Jamul, CA project, particular risks associated with securing financing, local opposition, and building a complex project on a relatively small parcel; the passage of state, federal or local legislation (including referenda) that would expand, restrict, further tax, prevent or negatively impact operations in or adjacent to the jurisdictions in which we do or seek to do business (such as a smoking ban at any of our facilities); with respect to our proposed Massachusetts project, the ability to execute surrounding community agreements and the ultimate location of the various gaming facilities in the state; the effects of local and national economic, credit, capital market, housing, and energy conditions on the economy in general and on the gaming and lodging industries in particular; the activities of our competitors and the rapid emergence of new competitors (traditional, internet and sweepstakes based); increases in the effective rate of taxation at any of our properties or at the corporate level; our ability to identify attractive acquisition and development opportunities and to agree to terms with partners for such transactions; the costs and risks involved in the pursuit of such opportunities and our ability to complete the acquisition or development of, and achieve the expected returns from, such opportunities; our expectations for the continued availability and cost of capital; the outcome of pending legal proceedings; changes in accounting standards; our dependence on key personnel; the impact of terrorism and other international hostilities; the impact of weather; and other factors as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the United States Securities and Exchange Commission. The Company does not intend to update publicly any forward-looking statements except as required by law.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Penn National Gaming, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets****(in thousands, except share and per share data)**

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 267,871	\$ 260,467
Receivables, net of allowance for doubtful accounts of \$4,004 and \$3,901 at September 30, 2013 and December 31, 2012, respectively	42,453	53,720
Insurance receivable	729	
Prepaid expenses	37,306	94,620
Deferred income taxes	38,987	39,793
Other current assets	13,889	38,540
Total current assets	401,235	487,140
Property and equipment, net	2,642,297	2,730,797
Other assets		
Investment in and advances to unconsolidated affiliates	195,825	204,506
Goodwill	1,308,079	1,380,689
Other intangible assets, net	693,932	706,477
Debt issuance costs, net of accumulated amortization of \$17,721 and \$11,462 at September 30, 2013 and December 31, 2012, respectively	29,676	35,999
Other assets	125,694	98,449
Total other assets	2,353,206	2,426,120
Total assets	\$ 5,396,738	\$ 5,644,057
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 100,688	\$ 81,497
Accounts payable	28,317	38,268
Accrued expenses	102,604	133,316
Accrued interest	12,584	21,872
Accrued salaries and wages	84,984	96,426
Gaming, pari-mutuel, property, and other taxes	71,883	55,610
Insurance financing	2,906	3,856
Other current liabilities	74,197	68,774
Total current liabilities	478,163	499,619
Long-term liabilities		
Long-term debt, net of current maturities	2,299,929	2,649,073
Deferred income taxes	197,552	216,357
Noncurrent tax liabilities	21,819	20,393
Other noncurrent liabilities	7,050	7,686

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Total long-term liabilities	2,526,350	2,893,509
Shareholders' equity		
Preferred stock (\$.01 par value, 1,000,000 shares authorized, 12,050 and 12,275 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively)		
Common stock (\$.01 par value, 200,000,000 shares authorized, 79,284,528 and 77,446,601 shares issued at September 30, 2013 and December 31, 2012, respectively)	785	769
Additional paid-in capital	1,500,928	1,451,965
Retained earnings	889,581	795,173
Accumulated other comprehensive income	931	3,022
Total shareholders' equity	2,392,225	2,250,929
Total liabilities and shareholders' equity	\$ 5,396,738	\$