

WYNN RESORTS LTD
Form 10-Q
November 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934
For the quarterly period ended September 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. 000-50028

WYNN RESORTS, LIMITED
(Exact name of registrant as specified in its charter)
NEVADA 46-0484987
(State or other jurisdiction of (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 has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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.

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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	Outstanding at October 31, 2018
Common stock, \$0.01 par value	108,738,518

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,949,253	\$2,804,474
Investment securities	—	166,773
Receivables, net	232,672	224,128
Inventories	63,076	71,636
Prepaid expenses and other	91,319	156,773
Total current assets	2,336,320	3,423,784
Property and equipment, net	9,221,028	8,498,756
Restricted cash	3,747	2,160
Investment securities	—	160,682
Intangible assets, net	223,382	123,705
Deferred income taxes, net	361,314	240,533
Other assets	231,700	232,119
Total assets	\$12,377,491	\$12,681,739
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and construction payables	\$315,959	\$285,437
Customer deposits	836,700	1,049,629
Gaming taxes payable	210,451	211,600
Accrued compensation and benefits	141,734	140,450
Accrued interest	73,598	94,695
Current portion of long-term debt	236,835	62,690
Dividends payable to noncontrolling interests	138,816	—
Other accrued liabilities	93,312	85,789
Total current liabilities	2,047,405	1,930,290
Long-term debt	8,695,335	9,565,936
Other long-term liabilities	94,468	107,163
Total liabilities	10,837,208	11,603,389
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, par value \$0.01; 40,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, par value \$0.01; 400,000,000 shares authorized; 122,135,459 and 116,391,753 shares issued; 108,731,082 and 103,005,866 shares outstanding, respectively	1,221	1,164
Treasury stock, at cost; 13,404,377 and 13,385,887 shares, respectively	(1,187,273)	(1,184,468)
Additional paid-in capital	2,455,357	1,497,928
Accumulated other comprehensive loss	(2,083)	(1,845)
Retained earnings	537,771	635,067
Total Wynn Resorts, Limited stockholders' equity	1,804,993	947,846

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Noncontrolling interests	(264,710) 130,504
Total stockholders' equity	1,540,283	1,078,350
Total liabilities and stockholders' equity	\$12,377,491	\$12,681,739

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (as adjusted)	2018	2017 (as adjusted)
Operating revenues:				
Casino	\$ 1,222,029	\$ 1,075,577	\$ 3,564,195	\$ 3,067,145
Rooms	183,044	170,371	559,405	504,135
Food and beverage	193,874	200,051	580,963	568,878
Entertainment, retail and other	110,125	105,348	325,511	307,838
Total operating revenues	1,709,072	1,551,347	5,030,074	4,447,996
Operating expenses:				
Casino	783,171	678,495	2,254,766	1,956,907
Rooms	62,965	61,390	189,837	184,178
Food and beverage	162,311	151,796	468,265	438,308
Entertainment, retail and other	44,028	48,996	138,647	142,988
General and administrative	192,327	178,504	545,543	502,635
Litigation settlement	—	—	463,557	—
Provision (benefit) for doubtful accounts	3,285	1,656	2,586	(4,593)
Pre-opening	13,714	6,908	35,255	19,445
Depreciation and amortization	137,458	137,982	411,685	415,488
Property charges and other	18,830	28,293	30,672	38,494
Total operating expenses	1,418,089	1,294,020	4,540,813	3,693,850
Operating income	290,983	257,327	489,261	754,146
Other income (expense):				
Interest income	6,948	8,447	21,029	21,998
Interest expense, net of amounts capitalized	(93,007)	(95,874)	(281,132)	(291,875)
Change in derivatives fair value	(54)	(2)	(54)	(1,056)
Change in Redemption Note fair value	—	(41,718)	(69,331)	(69,982)
(Loss) gain on extinguishment of debt	(198)	(20,774)	2,131	(43,061)
Other	11,216	(1,894)	1,039	(19,840)
Other income (expense), net	(75,095)	(151,815)	(326,318)	(403,816)
Income before income taxes	215,888	105,512	162,943	350,330
Benefit (provision) for income taxes	3,884	457	124,631	(5,040)
Net income	219,772	105,969	287,574	345,290
Less: net income attributable to noncontrolling interests	(63,657)	(26,202)	(180,010)	(89,791)
Net income attributable to Wynn Resorts, Limited	\$ 156,115	\$ 79,767	\$ 107,564	\$ 255,499
Basic and diluted net income per common share:				
Net income attributable to Wynn Resorts, Limited:				
Basic	\$ 1.44	\$ 0.78	\$ 1.01	\$ 2.51
Diluted	\$ 1.44	\$ 0.78	\$ 1.01	\$ 2.49
Weighted average common shares outstanding:				
Basic	108,064	102,173	106,162	101,960
Diluted	108,533	102,794	106,721	102,460
Dividends declared per common share	\$ 0.75	\$ 0.50	\$ 2.00	\$ 1.50

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income	\$219,772	\$105,969	\$287,574	\$345,290
Other comprehensive income (loss):				
Foreign currency translation adjustments, before and after tax	(175)	259	(2,121)	(3,495)
Change in net unrealized (gain) loss on investment securities, before and after tax	(19)	208	1,292	366
Redemption Note credit risk adjustment, net of tax of \$2,735	—	—	9,211	—
Total comprehensive income	219,578	106,436	295,956	342,161
Less: comprehensive income attributable to noncontrolling interests	(63,608)	(26,274)	(179,419)	(88,819)
Comprehensive income attributable to Wynn Resorts, Limited	\$155,970	\$80,162	\$116,537	\$253,342

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

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WYNN RESORTS, LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common stock			Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total Wynn Resorts, Ltd. stockholders' equity	Noncontrolling interests	Total stockholders' equity
	Shares outstanding	Par value	Treasury stock						
Balances, January 1, 2018	103,005,866	\$ 1,164	\$(1,184,468)	\$ 1,497,928	\$(1,845)	\$ 635,067	\$ 947,846	\$ 130,504	\$ 1,078,350
Cumulative credit risk adjustment	—	—	—	—	(9,211)	9,211	—	—	—
Net income	—	—	—	—	—	107,564	107,564	180,010	287,574
Currency translation adjustment	—	—	—	—	(1,530)	—	(1,530)	(591)	(2,121)
Change in net unrealized loss on investment securities	—	—	—	—	1,292	—	1,292	—	1,292
Redemption Note settlement	—	—	—	—	9,211	—	9,211	—	9,211
Issuance of common stock	5,300,000	53	—	915,187	—	—	915,240	—	915,240
Issuance of restricted stock	280,834	3	—	1,295	—	—	1,298	501	1,799
Cancellation of restricted stock	(75,908)	(1)	—	1	—	—	—	—	—
Exercise of stock options	238,780	2	—	19,805	—	—	19,807	506	20,313
Shares repurchased by the Company and held as treasury shares	(18,490)	—	(2,805)	—	—	—	(2,805)	—	(2,805)
Cash dividends declared	—	—	—	—	—	(214,071)	(214,071)	(276,583)	(490,654)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(301,113)	(301,113)
Stock-based compensation	—	—	—	21,141	—	—	21,141	2,056	23,197
	108,731,082	\$ 1,221	\$(1,187,273)	\$ 2,455,357	\$(2,083)	\$ 537,771	\$ 1,804,993	\$(264,710)	\$ 1,540,283

Balances,
September 30,
2018

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2018	2017 (as adjusted)
Cash flows from operating activities:		
Net income	\$287,574	\$345,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	411,685	415,488
Deferred income taxes	(123,516)	20,830
Stock-based compensation expense	28,762	29,290
Amortization of debt issuance costs	25,241	18,542
Loss on extinguishment of debt	2,364	43,061
Provision (benefit) for doubtful accounts	2,586	(4,593)
Change in derivatives fair value	54	1,056
Change in Redemption Note fair value	69,331	69,982
Property charges and other	30,464	52,683
Increase (decrease) in cash from changes in:		
Receivables, net	(11,038)	(1,198)
Inventories and prepaid expenses and other	1,145	(19,587)
Customer deposits	(212,459)	288,906
Accounts payable and accrued expenses	(14,304)	17,755
Net cash provided by operating activities	497,889	1,277,505
Cash flows from investing activities:		
Capital expenditures, net of construction payables and retention	(1,154,255)	(650,282)
Purchase of investment securities	(34,098)	(191,147)
Proceeds from sale or maturity of investment securities	359,461	171,375
Purchase of intangible assets and other assets	(102,388)	(13,408)
Proceeds from sale of assets	2,387	20,303
Net cash used in investing activities	(928,893)	