

ALLIANCE GAMING CORP  
Form 10-Q  
February 09, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended December 31, 2004**

**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 0-4281**

**ALLIANCE GAMING CORPORATION**

(Exact name of registrant as specified in its charter)

**NEVADA**  
(State or other jurisdiction of  
incorporation or organization)

**6601 S. Bermuda Rd.**

**88-0104066**  
(I.R.S. Employer  
Identification No.)

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**Las Vegas, Nevada**  
(Address of principal executive offices)

**89119**  
(Zip Code)

Registrant's telephone number: **(702) 270-7600**

Registrant's internet: **[www.alliancegaming.com](http://www.alliancegaming.com)**

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act).

Yes  No

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

The number of shares of Common Stock, \$0.10 par value, outstanding as of January 31, 2005, according to the records of the registrant's registrar and transfer agent was 51,088,700.

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FINANCIAL INFORMATION

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**PART I**

## ALLIANCE GAMING CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ In 000 s except share and per share data)

	December 31, 2004	As of	June 30, 2004
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 27,964	\$	172,726
Accounts and notes receivable, net of allowance for doubtful accounts of \$14,399 and \$9,722	103,601		129,779
Inventories	72,462		61,135
Deferred tax assets, net	19,982		20,054
Other current assets	19,580		12,420
Total current assets	243,589		396,114
Long-term investments (restricted)	8,542		2,528
Long-term receivables, net of allowance of \$12 and \$12	8,757		12,518
Net investment in leases	12,626		5,614
Leased gaming equipment, net of accumulated depreciation of \$40,814 and \$31,105	44,273		46,634
Property, plant and equipment, net of accumulated depreciation and amortization of \$30,164 and \$23,127	76,654		75,838
Goodwill, net	177,961		136,989
Intangible assets, net of accumulated amortization of \$14,968 and \$12,489	59,474		63,623
Assets of discontinued operations held for sale			4,442
Other assets, net	15,286		6,354
Total assets	\$ 647,162	\$	750,654
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities			
Accounts payable	\$ 30,478	\$	37,515
Accrued liabilities	60,991		51,469
Jackpot liabilities	10,076		12,075
Income taxes payable			7,233
Current maturities of long-term debt	5,040		5,866
Liabilities of discontinued operations held for sale			4,337
Total current liabilities	106,585		118,495
Long-term debt, net of current maturities	348,540		423,089
Deferred tax liabilities	90		849
Other liabilities	6,985		6,092
Minority interest	1,163		1,326
Total liabilities	463,363		549,851
Stockholders' equity:			
Special stock, 10,000,000 shares authorized: Series E, \$100 liquidation value; 115 shares issued and outstanding	12		12
Common stock, \$.10 par value; 100,000,000 shares authorized; 51,552,000 and 51,426,000 shares issued	5,158		5,145
Treasury stock at cost, 526,600 and 513,000 shares	(665)		(501)
Deferred compensation	(7,858)		(6,500)
Additional paid-in capital	196,872		194,040
Accumulated other comprehensive income	1,518		1,524
Retained earnings (accumulated deficit)	(11,238)		7,083
Total stockholders' equity	183,799		200,803
Total liabilities and stockholders' equity	\$ 647,162	\$	750,654

See accompanying notes to unaudited condensed consolidated financial statements.





## ALLIANCE GAMING CORPORATION AND SUBSIDIARIES

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ In 000s, except share and per share amounts)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2004	2003	2004	2003
<b>Revenues:</b>				
Gaming equipment and systems	\$ 100,933	\$ 96,319	\$ 205,010	\$ 184,787
Casino operations	12,769	12,312	25,605	25,067
	113,702	108,631	230,615	209,854
<b>Costs and expenses:</b>				
Cost of gaming equipment and systems	53,337	38,780	104,173	72,017
Cost of casino operations	4,589	4,884	9,391	9,887
Selling, general and administrative	41,051	21,548	84,706	50,613
Research and development	10,358	9,440	22,130	15,403
Restructuring charge			1,435	
Depreciation and amortization	12,020	6,445	22,861	12,467
	121,355	81,097	244,696	160,387
Operating income (loss)	(7,653)	27,534	(14,081)	49,467
<b>Other income (expense)</b>				
Interest income	318	83	798	126
Interest expense	(3,750)	(3,869)	(7,712)	(9,598)
Minority interest	(1,145)	(541)	(1,644)	(1,027)
Refinancing / bank amendment charges	(564)		(564)	(12,293)
Other, net	375	(545)	528	(899)
Income (loss) from continuing operations before income taxes	(12,419)	22,662	(22,675)	25,776
Income tax expense (benefit)	(4,879)	8,444	(8,730)	9,710
Income (loss) from continuing operations	(7,540)	14,218	(13,945)	16,066
Income (loss) from discontinued operations	15	4,526	(4,376)	8,706
Net income (loss)	\$ (7,525)	\$ 18,744	\$ (18,321)	\$ 24,772
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ (0.15)	\$ 0.29	\$ (0.27)	\$ 0.32
Discontinued operations		0.09	(0.09)	0.18
Total	\$ (0.15)	\$ 0.38	\$ (0.36)	\$ 0.50
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ (0.15)	\$ 0.28	\$ (0.27)	\$ 0.32
Discontinued operations		0.09	(0.09)	0.17
Total	\$ (0.15)	\$ 0.37	\$ (0.36)	\$ 0.49
Weighted average common shares outstanding	51,010	49,741	50,988	49,660
Weighted average diluted common and common share equivalents outstanding	51,010	50,930	50,988	50,814

See accompanying notes to unaudited condensed consolidated financial statements.



ALLIANCE GAMING CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(\$ In 000s)

	Common Stock		Series E Special Stock	Treasury Stock	Deferred Compen- sation	Additional Paid-In Capital	Accum- ulated Other Compre- hensive Income (Loss)	Retained Earnings (Accum- ulated Deficit)	Total Stock- holders Equity
	Shares	Dollars							
Balances at June 30, 2004	51,426	\$ 5,145	\$ 12	\$ (501)	\$ (6,500)	\$ 194,040	\$ 1,524	\$ 7,083	\$ 200,803
Net loss								(18,321)	(18,321)
Foreign currency translation adjustment							(6)		