

Nevada casinos report record USD 2.1 billion profit for 2006

Carson City, Nevada (AP) – A new report shows Nevada's major hotel-casinos posted their highest net income ever in fiscal 2006 – a combined USD 2.1 billion.

The report released Thursday by the state Gaming Control Board also showed that the 274 resorts had USD 5.4 billion in earnings before taxes, interest, depreciation and amortization, or EBITDA – the indicator that analysts watch most closely.

The EBITDA, 23% of the resorts' USD 24.08 billion in total revenue for the fiscal year that ended last June 30, compares with USD 4.5 billion in EBITDA in the previous fiscal year. The previous year's revenue total was USD 21.4 billion and its net was USD 1.8 billion.

„We have record net income and record revenues,“ GCB analyst Frank Streshley said in going over the board's annual Gaming Abstract. „There was substantial growth in all revenue areas, not just gaming.“

Streshley said increased gambling by both out-of-state tourists and by locals helped to fuel the record revenues. He added that another construction boom is starting, and that bodes well for the future.

The net income of USD 2.1 billion in the unaudited report is the money left over after various expenses and state taxes – but not federal taxes – are deducted from gross revenues. The clubs paid USD 928.2 million in state gambling tax and license fees.

Depending on individual clubs, the federal taxes can take as much as a third to half of the net revenues. Post-federal tax figures aren't included in the report.

The report shows some big expenses last fiscal year – including higher payroll totals for employees, and increases in interest expense and in a catchall „other“ category that includes various legal expenses, insurance premiums, garbage bills and other items.

Casino departments at the big resorts reported a total of USD 91.1 million in bad debt expenses and \$ 1.96 billion in complimentary services to high-rolling gamblers.

But while the combined expenses increased by 11.7% from year to year, total revenue increased by 12.8% and net revenue increased by 17%.

The USD 24.08 billion in statewide gross revenues in fiscal 2006 includes USD 11.8 billion from casino games, up USD 1.1 billion or 10.8% from the prior year.

As a percent of total revenues, casino games accounted for 49% of the total, down from 49.9%. Hotel rooms revenues increased 14% to \$ 4.89 billion, or about 20% of the total.

Restaurant food increased 12.8% to USD 3.3 billion, or 13.7% of the total; and liquor and other bar sales increased 12.2% to USD 1.3 billion. Other revenue, largely from leases of resort space to retail shops, restaurants or other businesses, increased nearly 20% to USD 2.77 billion.

On the expense side of the ledger, executives' pay decreased 69%, to USD 52.9 million. The decrease was due mainly to big bonuses paid to some Strip executives in the prior year that weren't repeated in fiscal 2006.

Payroll for administrative, non-departmental employees increased 8.7% to nearly USD 1.2 billion; interest expenses

increased 35% to USD 1.6 billion; utility costs increased 5.4% to USD 423.2 million; advertising was up 5.5% to USD 430.8 million; and „other“ expenses increased 16.5% to USD 1.6 billion.

All those costs are listed under general and administrative expense, which totaled USD 8.47 billion. That's up 11.7% from the previous year.

In the separate „cost of sales“ accounting category, a USD 13.5 billion total was 12.8% higher than the previous year's total.

„Cost of sales“ includes money spent on departmental payrolls and on supplies for all hotel-casino operations. That's everything from new card decks for blackjack tables to food for restaurants and liquor for bars.

The category used up 56% of the gross revenue. General administrative costs took the rest. Both percentages were close to the percentages for the year before.

The report is based on financial data from 274 hotel-casinos that each grossed more than USD 1 million during the year and account for almost all of Nevada's casino revenues.

A breakdown shows resorts on the Las Vegas Strip had gross revenues of USD 14.9 billion and a net win of USD 1.25 billion, while downtown Las Vegas resorts reported total revenue of nearly USD 1.2 billion and net win of USD 140.6 million.

Major clubs in the Reno-Sparks area had a revenue total of USD 1.64 billion and a net profit of USD 112.9 million, and clubs on Lake Tahoe's south shore had total revenue of USD 547.8 million and a net win of USD 46.2 million.

Casinos in the Carson City-Gardnerville area had total revenues of USD 184 million and a net income win of USD 5.1

million, and clubs in Elko County had total revenues of USD 365.8 million and a net profit of USD 36.9 million.