

# Nevada casinos report USD 2.3 billion in fiscal 2007 net profits

A new report shows Nevada's major hotel-casinos posted their highest net income ever in fiscal 2007: a combined USD 2.3 billion. The report released by state Gaming Control Board showed that the 270 resorts had nearly USD 5.8 billion in earnings before taxes, interest, depreciation and amortization, the indicator that analysts watch most closely.

The EBITDA, 23 percent of the resorts' USD 25.3 billion in total revenue for the fiscal year that ended last June 30, compares with USD 5.4 billion in EBITDA in the previous fiscal year. The previous year's revenue total was USD 24 billion and its net was USD 2.1 billion.

„This was the fifth straight year of increases in net income,“ GCB analyst Frank Streshley said. „If you look at the profit made during a slowing economy, it shows the industry was managing its expenses.“ He added „Revenues are still increasing. Expenses are too, but at a much lower rate“.

The net income of USD 2.3 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 965.9 million in state gambling tax and license fees.

Depending on individual clubs, the federal taxes can take a third or more 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. But there was a drop 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 123 million in bad debt expenses and us2 .1 billion in complimentary services to high-rolling gamblers. While the combined expenses of casino, rooms, food and beverage departments increased by 3.6 percent from year to year, total revenue increased by 4.9 percent and net revenue increased by 8.9 percent.

The USD 25.3 billion in statewide gross revenues in fiscal 2007 includes USD 12.5 billion from casino games, up USD 671.7 million or 5.7 percent from the prior year. As a percent of total revenues, casino games accounted for 49.4 percent of the total, up from 49 percent. Hotel rooms revenues amounted to USD 5.1 billion, or about 20 percent of the total. That percentage is unchanged from the previous year.

Restaurant food increased about 3 percent to USD 3.4 billion, or 13.5 percent of the total; and liquor and other bar sales increased about 7 percent to nearly USD 1.4 billion. Other revenue, largely from leases of resort space to retail shops, restaurants or other businesses, increased 2.7 percent to USD 2.85 billion.

On the expense side, executives' pay increased 5.5 percent, to USD 55.8 million. Payroll for administrative, non-departmental employees increased 5.8 percent to USD 1.24 billion; interest expenses increased 4.6 percent to USD 1.68 billion; and utility costs increased 4.7 percent to USD 443 million.

There was little change in advertising expenses, down 0.1 percent at USD 430.1 million; and „other“ expenses decreased 2.5 percent to USD 1.57 billion. All those costs are listed under general and administrative expense, which totaled USD 8.66 billion. That's up 2.2 percent from the previous year.

The report is based on financial data from 270 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 15.8 billion and a net win of USD 1.66 billion, up 33 percent. Downtown Las Vegas resorts reported total revenue of USD 1.1 billion and net win of USD 64.6 million, down 54 percent.

Major clubs in the Reno-Sparks area had a revenue total of us\$ 1.64 billion and a net profit of USD 116 million, up 2.8 percent. Clubs on Lake Tahoe's south shore had total revenue of USD 527.9 million and a net win of USD 26.5 million, down nearly 43 percent.

Casinos in the Carson City-Gardnerville area had total revenues of USD 178 million and a net income loss of USD 7.5 million, and clubs in Elko County had total revenues of USD 407.3 million and a net profit of USD 39.8 million, up 7.9 percent.