

# GLOBAL CASH ACCESS HOLDINGS, INC.

## FORM 8-K (Current report filing)

Filed 05/07/13 for the Period Ending 05/07/13

|             |  |
|-------------|--|
| Address     | 7250 S. TENAYA WAY<br>SUITE 100<br>LAS VEGAS, NV 89113 |
| Telephone   | 702-855-3000   |
| CIK         | 0001318568   |
| Symbol      | GCA  |
| SIC Code    | 6199 - Finance Services                                |
| Industry    | Business Services                                      |
| Sector      | Services   |
| Fiscal Year | 12/31  |

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 7, 2013**

**GLOBAL CASH ACCESS HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other Jurisdiction of Incorporation)

**001-32622**

(Commission File Number)

**20-0723270**

(IRS Employer Identification No.)

**7250 S. Tenaya Way, Suite 100**

**Las Vegas, Nevada**

(Address of Principal Executive Offices)

**89113**

(Zip Code)

Registrant's telephone number, including area code: **(800) 833-7110**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results Of Operations And Financial Condition.**

On May 7, 2013, Global Cash Access Holdings, Inc. issued a press release announcing its results of operations for the three months ended March 31, 2013. A copy of the press release is attached hereto as Exhibit 99.1.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

| <u>Exhibit No.</u> | <u>Document</u>   |
|--------------------|---|
| 99.1               | Press Release announcing results of operations for the three months ended March 31, 2013. |

This Form 8-K and the attached exhibit are furnished to, but not filed with, the Securities and Exchange Commission. The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference into such filing.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL CASH ACCESS HOLDINGS, INC.

Date: May 7, 2013

By: /s/ Mary E. Higgins

Mary E. Higgins

Chief Financial Officer



## Global Cash Access Reports First Quarter 2013 Results

Las Vegas, NV – May 7, 2013 – Global Cash Access Holdings, Inc. (the “Company”) (NYSE:GCA) announced today financial results for the first quarter ended March 31, 2013.

“We are pleased with our first quarter 2013 results as they were right on target to meet our full year 2013 guidance expectations. We are also excited about the momentum of our kiosk business, where its performance and sales pipeline continue to improve. Our team continues to stay focused on product development with a goal of providing our customers the most complete cash access delivery system available in the marketplace,” said David Lopez, President and CEO of GCA.

### Fiscal First Quarter 2013 Results

Revenues were \$146.8 million for the first quarter 2013, as compared to \$151.1 million for the same period in 2012. Operating income was \$12.9 million for the first quarter 2013, as compared to \$15.7 million for the same period in 2012. Adjusted earnings before interest, taxes, depreciation and amortization and non-cash compensation expense (“Adjusted EBITDA”) (see Non-GAAP Financial Information below) were \$17.9 million for the first quarter 2013, as compared to \$20.6 million for the same period in 2012. These decreases were primarily due to lower revenues and operating income in our ATM segment and higher payroll and related expenses, including non-cash stock compensation expense, partially offset by higher kiosk sales in the first quarter 2013, as compared to the same period in 2012.

Income from operations before income tax provision was \$9.7 million for the first quarter 2013, as compared to \$11.2 million for the same period in 2012. Diluted earnings per share from continuing operations were \$0.09 for the first quarter 2013 (on 67.9 million diluted shares), as compared to \$0.11 for the same period in 2012 (on 66.2 million diluted shares). Cash earnings per share (“Cash EPS”) (see Non-GAAP Financial Information below) were \$0.19 for the first quarter 2013, as compared to \$0.21 for the same period in 2012.

### 2013 Outlook

The Company reaffirms its estimates that for the fiscal year ending December 31, 2013, Cash EPS will be between approximately \$0.74 and \$0.83 (on diluted shares of approximately 67.2 million) and Adjusted EBITDA will be between \$70 million and \$74 million. This estimated outlook is based primarily upon the combination of the following factors: (a) the anticipated impact of less favorable pricing terms associated with several customer contract renewals in 2013; (b) the anticipated impact of certain large customers not renewing their contracts; (c) flat to low growth in the domestic gaming industry; (d) no significant casino openings in 2013; (e) a projected increase in our kiosk sales and services business in 2013; and (f) continued investment with respect to the Company’s technology infrastructure and personnel.

### Investor Conference Call and Webcast

The Company will host an investor conference call to discuss its first quarter 2013 results today at 5:00 p.m. ET. The conference call can be accessed live over the phone by dialing (877) 941-8416 or for international callers by dialing (480) 629-9856. A replay will be available at 8:00 p.m. ET and can be accessed by dialing (877) 870-5176 or (858) 384-5517 for international callers; the pin number is 4615839. The replay will be available until May 14, 2013. The call will be webcast live from the Company’s website at [www.gcainc.com](http://www.gcainc.com) under the Investor Relations section.

### Non-GAAP Financial Information

In order to enhance investor understanding of the underlying trends in our business and to provide for better comparability between periods in different years, the Company is providing EBITDA, Adjusted EBITDA, Cash Earnings and Cash EPS on a supplemental basis. Reconciliations between GAAP measures and Non-GAAP measures and between actual results and adjusted results are provided at the end of this press release. EBITDA, Adjusted EBITDA, Cash Earnings and Cash EPS are not measures of financial performance under United States Generally Accepted Accounting Principles (“GAAP”). Accordingly, they should not be considered a substitute for net income, operating income, basic or diluted earnings per share or cash flow data prepared in accordance with GAAP.

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## Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements included in this press release, other than statements that are purely historical, are forward-looking statements. Words such as “going forward,” “believes,” “intends,” “expects,” “forecasts,” “anticipate,” “plan,” “seek,” “estimate” and similar expressions also identify forward-looking statements. Forward-looking statements in this press release include, without limitation: (a) our estimates of 2013 cash earnings per share and Adjusted EBITDA and the assumptions and factors upon which they are based; and (b) our belief that cash earnings per share and Adjusted EBITDA are widely-referenced financial measures in the financial markets and that references to the foregoing are helpful to investors.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including but not limited to the following: the timing and the extent of a recovery in the gaming industry; our ability to replace revenue associated with terminated contracts; our ability to introduce new products and services; gaming establishment and patron preferences; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; inaccuracies in underlying operating assumptions; unanticipated expenses or capital needs; technological obsolescence; and employee turnover. If any of these assumptions prove to be incorrect, the results contemplated by the forward-looking statements regarding our future results of operations are unlikely to be realized.

The forward-looking statements in this press release are subject to additional risks and uncertainties set forth under the heading “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our filings with the Securities and Exchange Commission, including, without limitation, our Annual Report filed on Form 10-K on March 12, 2013, and subsequent periodic reports and are based on information available to us on the date hereof. We do not intend, and assume no obligation, to update any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this press release.

## About Global Cash Access Holdings, Inc.

Las Vegas-based Global Cash Access, Inc. (“GCA”), a wholly owned subsidiary of Global Cash Access Holdings, Inc., is a leading provider of cash access products and related services to over 1,000 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean, Central America and Asia. GCA’s products and services provide gaming patrons access to cash through a variety of methods, including ATM cash withdrawals, point-of-sale debit card transactions, credit card transactions, check verification and warranty services, and Western Union money transfers. GCA is a leading manufacturer and distributor of cash handling devices and related software. GCA also provides products and services that improve credit decision-making, automate cashier operations and enhance patron marketing activities for gaming establishments. With its proprietary database of gaming patron credit history and transaction data on millions of gaming patrons worldwide, GCA is recognized for successfully developing and deploying technological innovations that increase client profitability, operational efficiency and customer loyalty. More information is available at GCA’s website at [www.gcainc.com](http://www.gcainc.com).

## Contacts

Investor Relations  
Don Duffy, ICR  
(203) 682-8215  
[IR@gcainc.com](mailto:IR@gcainc.com)

Media Relations  
Cory Ziskind, ICR  
(646) 277-1232  
[cziskind@icrinc.com](mailto:cziskind@icrinc.com)

SOURCE: Global Cash Access Holdings, Inc.

**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
*( In thousands, except earnings per share amounts )*  
**(Unaudited)**

|   | <b>Three Months Ended March 31,</b> |                 |
|---|-------------------------------------|-----------------|
|   | <b>2013</b>                         | <b>2012</b>     |
| <b>Revenues</b>   | \$ 146,822                          | \$ 151,065      |
| <b>Costs and expenses</b>                                     |                                     |                 |
| Cost of revenues (exclusive of depreciation and amortization) | 111,099                             | 113,815         |
| Operating expenses  | 18,984                              | 17,488          |
| Depreciation  | 1,568                               | 1,745           |
| Amortization  | 2,270                               | 2,321           |
| <b>Total costs and expenses</b>                               | <u>133,921</u>                      | <u>135,369</u>  |
| <b>Operating income</b>                                       | 12,901                              | 15,696          |
| <b>Other expenses</b>   |                                     |                 |
| Interest expense, net of interest income                      | 3,163                               | 4,483           |
| <b>Total other expenses</b>                                   | <u>3,163</u>                        | <u>4,483</u>    |
| <b>Income from operations before tax</b>                      | 9,738                               | 11,213          |
| Income tax provision  | 3,602                               | 4,085           |
| <b>Net income</b>   | <u>6,136</u>                        | <u>7,128</u>    |
| Foreign currency translation                                  | (415)                               | 145             |
| <b>Comprehensive income</b>                                   | <u>\$ 5,721</u>                     | <u>\$ 7,273</u> |
| <b>Earnings per share</b>                                     |                                     |                 |
| <b>Basic</b>  | <u>\$ 0.09</u>                      | <u>\$ 0.11</u>  |
| <b>Diluted</b>  | <u>\$ 0.09</u>                      | <u>\$ 0.11</u>  |
| <b>Weighted average common shares outstanding</b>             |                                     |                 |
| <b>Basic</b>  | <u>66,697</u>                       | <u>65,134</u>   |
| <b>Diluted</b>  | <u>67,882</u>                       | <u>66,190</u>   |

**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*( In thousands, except par value amounts )*  
(Unaudited)

|   | <u>At March 31,<br/>2013</u> | <u>At December 31,<br/>2012</u> |
|---|------------------------------|---------------------------------|
| <b>ASSETS</b>   |                              |                                 |
| Cash and cash equivalents   | \$ 70,702                    | \$ 153,020                      |
| Restricted cash and cash equivalents  | 200                          | 200                             |
| Settlement receivables  | 118,886                      | 29,484                          |
| Other receivables, net of allowances for doubtful accounts of \$6.2 million and \$6.9 million, respectively   | 11,123                       | 11,571                          |
| Inventory   | 7,029                        | 7,126                           |
| Prepaid expenses and other assets   | 18,143                       | 18,254                          |
| Property, equipment and leasehold improvements, net   | 15,459                       | 15,441                          |
| Goodwill  | 180,124                      | 180,141                         |
| Other intangible assets, net  | 33,022                       | 33,994                          |
| Deferred income taxes, net  | 101,265                      | 104,664                         |
| <b>Total assets</b>   | <u>\$ 555,953</u>            | <u>\$ 553,895</u>               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                              |                                 |
| <b>Liabilities</b>  |                              |                                 |
| Settlement liabilities  | \$ 180,903                   | \$ 182,446                      |
| Accounts payable and accrued expenses   | 55,697                       | 51,190                          |
| Borrowings  | 117,500                      | 121,500                         |
| <b>Total liabilities</b>  | <u>354,100</u>               | <u>355,136</u>                  |
| <b>Commitments and Contingencies</b>  |                              |                                 |
| <b>Stockholders' Equity</b>   |                              |                                 |
| Common stock, \$0.001 par value, 500,000 shares authorized and 87,786 and 87,545 shares issued at March 31, 2013 and December 31, 2012, respectively    | 88                           | 87                              |
| Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at March 31, 2013 and December 31, 2012, respectively | -                            | -                               |
| Additional paid-in capital  | 220,090                      | 217,990                         |
| Retained earnings   | 129,750                      | 123,614                         |
| Accumulated other comprehensive income  | 2,143                        | 2,558                           |
| Treasury stock, at cost, 21,380 and 20,724 shares at March 31, 2013 and December 31, 2012, respectively   | (150,218)                    | (145,490)                       |
| <b>Total stockholders' equity</b>   | <u>201,853</u>               | <u>198,759</u>                  |
| <b>Total liabilities and stockholders' equity</b>   | <u>\$ 555,953</u>            | <u>\$ 553,895</u>               |



**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In thousands)*  
(Unaudited)

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2013</b>                         | <b>2012</b>      |
| <b>Cash flows from operating activities</b>   |                                     |                  |
| Net income  | \$ 6,136                            | \$ 7,128         |
| Adjustments to reconcile net income to cash (used in)/provided by operating activities: |                                     |                  |
| Depreciation  | 1,568                               | 1,745            |
| Amortization of intangibles   | 2,270                               | 2,321            |
| Amortization of financing costs   | 403                                 | 355              |
| Gain on sale or disposal of assets  | (9)                                 | (57)             |
| Provision for bad debts   | 2,110                               | 1,190            |
| Stock-based compensation  | 1,171                               | 843              |
| Changes in operating assets and liabilities:  |                                     |                  |
| Settlement receivables  | (89,490)                            | 7,115            |
| Other receivables, net  | (1,694)                             | 5,246            |
| Inventory   | 97                                  | (843)            |
| Prepaid and other assets  | (542)                               | 687              |
| Deferred income taxes   | 3,399                               | 3,935            |
| Settlement liabilities  | (1,373)                             | (17,241)         |
| Accounts payable and accrued expenses   | 4,390                               | 5,857            |
| <b>Net cash (used in)/provided by operating activities</b>                              | <b>(71,564)</b>                     | <b>18,281</b>    |
| <b>Cash flows from investing activities</b>   |                                     |                  |
| Capital expenditures  | (2,934)                             | (1,800)          |
| Proceeds from sale of fixed assets  | 31                                  | -                |
| Changes in restricted cash and cash equivalents   | -                                   | 255              |
| <b>Net cash used in investing activities</b>  | <b>(2,903)</b>                      | <b>(1,545)</b>   |
| <b>Cash flows from financing activities</b>   |                                     |                  |
| Repayments against credit facility  | (4,000)                             | (32,000)         |
| Proceeds from exercise of stock options   | 962                                 | 1,005            |
| Purchase of treasury stock  | (4,587)                             | (55)             |
| <b>Net cash used in financing activities</b>  | <b>(7,625)</b>                      | <b>(31,050)</b>  |
| Effect of exchange rates on cash  | (226)                               | (655)            |
| <b>Cash and cash equivalents</b>  |                                     |                  |
| Net decrease for the period   | (82,318)                            | (14,969)         |
| Balance, beginning of the period  | 153,020                             | 55,535           |
| <b>Balance, end of the period</b>   | <b>\$ 70,702</b>                    | <b>\$ 40,566</b> |
| <b>Supplemental cash flow disclosures</b>   |                                     |                  |
| Cash paid for interest  | \$ 2,777                            | \$ 3,955         |
| Cash paid for income tax, net of refunds  | \$ 85                               | \$ 191           |

**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NET INCOME TO CASH EARNINGS**  
**AND OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA**  
(Unaudited)

|  | <b>Three Months Ended March 31,</b> |                  |
|--|-------------------------------------|------------------|
|  | <b>2013</b>                         | <b>2012</b>      |
| <b>Reconciliation of net income to cash earnings (amounts in thousands, except earnings per share amounts)</b> |                                     |                  |
| Net income   | \$ 6,136                            | \$ 7,128         |
| Equity compensation expense  | 1,171                               | 843              |
| Deferred income tax  | 3,399                               | 3,935            |
| Amortization   | 2,270                               | 2,321            |
| <b>Cash earnings</b>   | <b>\$ 12,976</b>                    | <b>\$ 14,227</b> |
| Diluted weighted average number of common shares outstanding   | 67,882                              | 66,190           |
| <b>Diluted cash earnings per share ("Cash EPS")</b>  | <b>\$ 0.19</b>                      | <b>\$ 0.21</b>   |
| <b>Reconciliation of operating income to EBITDA and Adjusted EBITDA</b>  |                                     |                  |
| Operating income   | \$ 12,901                           | \$ 15,696        |
| Plus: depreciation and amortization  | 3,838                               | 4,066            |
| <b>EBITDA</b>  | <b>\$ 16,739</b>                    | <b>\$ 19,762</b> |
| Equity compensation expense  | 1,171                               | 843              |
| <b>Adjusted EBITDA</b>   | <b>\$ 17,910</b>                    | <b>\$ 20,605</b> |

**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF PROJECTED NET INCOME TO PROJECTED CASH EARNINGS**  
**AND PROJECTED OPERATING INCOME TO PROJECTED EBITDA AND PROJECTED ADJUSTED EBITDA**  
**FOR THE PROJECTED YEAR ENDING DECEMBER 31, 2013**  
**(Unaudited)**

|  | <b>2013 Guidance Range <sup>1</sup></b> |                  |
|--|---|------------------|
|  | <b>Low</b>                              | <b>High</b>      |
| <b>Reconciliation of projected net income to projected cash earnings (amounts in thousands, except earnings per share amounts)</b> |   |                  |
| Projected net income   | \$ 23,000                               | \$ 27,000        |
| Projected equity compensation expense  | 5,000                                   | 5,000            |
| Projected deferred income tax  | 13,000                                  | 15,000           |
| Projected amortization   | 9,000                                   | 9,000            |
| <b>Projected cash earnings</b>   | <b>\$ 50,000</b>                        | <b>\$ 56,000</b> |
| Projected diluted weighted average number of common shares outstanding   | 67,200                                  | 67,200           |
| <b>Projected diluted cash earnings per share ("Cash EPS")</b>  | <b>\$ 0.74</b>                          | <b>\$ 0.83</b>   |
| <b>Reconciliation of projected operating income to projected EBITDA and projected Adjusted EBITDA</b>                              |   |                  |
| Projected operating income   | \$ 48,000                               | \$ 52,000        |
| Plus: projected depreciation and projected amortization  | 17,000                                  | 17,000           |
| <b>Projected EBITDA</b>  | <b>\$ 65,000</b>                        | <b>\$ 69,000</b> |
| Projected equity compensation expense  | 5,000                                   | 5,000            |
| <b>Projected Adjusted EBITDA</b>   | <b>\$ 70,000</b>                        | <b>\$ 74,000</b> |

**Note:**

1. All figures presented are estimates for the year ending December 31, 2013.

**GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**  
**SELECTED SEGMENT INFORMATION AND OTHER DATA**  
(Amounts in thousands, unless otherwise noted)  
(Unaudited)

|                       | <b>For the Three Months Ended March 31,</b> |                   |
|-----------------------|---|-------------------|
|                       | <b>2013</b>                                 | <b>2012</b>       |
| <b>Revenues</b>       |   |                   |
| Cash advance          | \$ 58,695                                   | \$ 58,361         |
| ATM                   | 75,276                                      | 80,347            |
| Check services        | 5,871                                       | 6,516             |
| Other                 | 6,980                                       | 5,841             |
| Corporate             | -   | -                 |
| <b>Total revenues</b> | <b>\$ 146,822</b>                           | <b>\$ 151,065</b> |

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| <b>Operating income</b>       |                  |                  |
| Cash advance                  | \$ 15,745        | \$ 15,847        |
| ATM                           | 6,979            | 8,956            |
| Check services                | 3,396            | 3,413            |
| Other                         | 3,444            | 3,111            |
| Corporate                     | (16,663)         | (15,631)         |
| <b>Total operating income</b> | <b>\$ 12,901</b> | <b>\$ 15,696</b> |

|   | <b>Three Months Ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2013</b>                         | <b>2012</b> |
| <b>Other data</b>                               |                                     |             |
| Aggregate dollar amount processed (in billions) |                                     |             |
| Cash advance                                    | \$ 1.2                              | \$ 1.2      |
| ATM   | \$ 3.4                              | \$ 3.5      |
| Check warranty                                  | \$ 0.3                              | \$ 0.3      |
| Number of transactions completed (in millions)  |                                     |             |
| Cash advance                                    | 2.3                                 | 2.3         |
| ATM   | 17.8                                | 19.3        |
| Check warranty                                  | 1.0                                 | 1.1         |