

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 05/09/07 for the Period Ending 05/09/07

Address	7250 S. TENAYA WAY SUITE 100 LAS VEGAS, NV 89113
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CIK	0001318568
Symbol	GCA
SIC Code	6199 - Finance Services
Industry	Business Services
Sector	Services
Fiscal Year	12/31

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 5/9/2007 For Period Ending 5/9/2007

Address	3525 EAST POST ROAD SUITE 120 LAS VEGAS, Nevada 89120
Telephone	705-855-3000
CIK	0001318568
Industry	Misc. Financial Services
Sector	Financial
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

May 9, 2007

(Date of Earliest Event Reported)

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.)
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3525 East Post Road, Suite 120

Las Vegas, Nevada (Address of Principal Executive Offices)	89120 (Zip Code)
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(800) 833-7110
(Registrant's Telephone Number, Including Area Code)

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 (see General Instruction A.2. below):

- 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))

Item 2.02. Results Of Operations And Financial Condition.

On May 9 2007, Global Cash Access Holdings, Inc. issued a press release announcing its results of operations for the quarter ended March 31, 2007. A copy of the press release is attached hereto as Exhibit 99.1. 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.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Document
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99.1	Press Release announcing results of operations for the quarter ended March 31, 2007.
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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 9, 2007

By: /s/ Harry C. Hagerty

Harry C. Hagerty, Chief Financial Officer

Global Cash Access Announces First Quarter 2007 Financial Results

Revenue of \$148.7 million and Adjusted Diluted Cash EPS of \$0.17

(\$0.15 including stock-based compensation)

LAS VEGAS--(BUSINESS WIRE)--May 9, 2007--Global Cash Access Holdings, Inc. (NYSE:GCA) ("GCA" or the "Company") today announced unaudited financial results for the quarter ended March 31, 2007.

Summary Non-GAAP Results

For the quarter ended March 31, 2007, revenues were \$148.7 million, an increase of 14.6% over the \$129.8 million in revenues recorded in the same quarter last year. Adjusted Cash Earnings, which exclude stock-based compensation, were \$14.1 million in Q1 2007, an increase of 14.1% over Q1 2006. Adjusted Cash Earnings per diluted share were \$0.17 in Q1 2007 as compared to \$0.15 in Q1 2006. Cash Earnings, which include stock-based compensation, were \$12.2 million in Q1 2007 as compared to \$11.1 million in Q1 2006, an increase of 10.5%. Cash Earnings per diluted share were \$0.15 in Q1 2007 as compared to \$0.14 in Q1 2006. EBITDA (which excludes stock-based compensation) was \$27.0 million in Q1 2007, an increase of 7.4% from Q1 2006.

"In the first quarter of 2007, we maintained strength in our core business while gaining momentum in our new initiatives," commented Kirk Sanford, President and Chief Executive Officer of GCA. "We had double-digit revenue growth in our Cash Advance and ATM business while also getting ready for operations in Macau and adding to our Arriva Card cardholder base."

Recent Highlights

- Recorded revenue of \$148.7 million, the highest quarterly total ever recorded by the Company.
- Significant increases in key metrics:
 - Same store surcharge revenue up 9.9% -- Cash advance dollars disbursed up 14.1% -- ATM transaction volume up 13.1%.
- 3-in-1 Enabled QuickJack(TM) Plus Redemption Kiosk installations reached 467 as of March 31, 2007
- Arriva Card rollout continued (statistics as of March 31, 2007):
 - 5,234 accounts
 - \$21.5 million in Arriva Card transaction volume since the launch of the Arriva Card, with \$9.2 million in volume in Q1 2007 -- Charge-offs to date of \$0.2 million -- Q1 average cash advance transaction amount of \$871 vs. \$630 on non-Arriva cards.
- Established \$50 million common stock repurchase authorization
- Interest rate on senior secured borrowings declined to LIBOR +112.5bp as of April 5, 2007.

GAAP Results

For the first quarter of 2007, total revenues were \$148.7 million, an increase of 14.6% over the first quarter of 2006. Operating Income in the first quarter of 2007 was \$21.3 million, an increase of 3.4% from the same period in 2006. Net income in the first quarter of 2007 was \$7.9 million, up 13.5% from the first quarter of 2006. Diluted earnings per share were \$0.10 in the first quarter of 2007 as compared to \$0.09 in the first quarter of 2006.

First Quarter Results of Operations

Total revenues in the first quarter of 2007 were \$148.7 million, an increase of 14.6% from revenues of \$129.8 million in the first quarter of 2006. Same store revenues for cash advance and ATM surcharge increased 9.9% in the first quarter of 2007.

The following is a comparison of selected revenue components for the first quarter of 2007 to the same period in 2006:

- Cash advance revenues were up 15.4%, from \$67.1 million to \$77.4 million. Cash disbursed increased 14.1%, from \$1.35 billion to \$1.54 billion. The number of transactions increased 10.2%, from 2.5 million to 2.8 million. The average transaction amount increased from \$536.25 to \$555.31. The average fee increased from 4.97% to 5.02%. Average revenue per transaction increased 4.8% from \$26.63 to \$27.90.
- ATM revenues increased 14.3% to \$60.8 million. The number of transactions increased 13.1% from 16.7 million to 18.9 million. Cash

disbursed was \$3.40 billion compared to \$2.92 billion, an increase of 16.2%. Average revenue per transaction increased 0.9% from \$3.19 to \$3.22.

-- Check services revenues were \$7.4 million, an increase of 1.5%. The face amount of checks warranted increased by 5.3%, from \$322.8 million to \$340.0 million. The number of check warranty transactions grew 2.5%, from 1.26 million to 1.29 million. The average face amount per check warranted grew from \$256.08 to \$263.12. The average check warranty fee decreased from 2.02% to 1.98%. Average check warranty revenue per transaction increased from \$5.17 to \$5.21.

-- Central Credit and other revenues increased 35.3%, from \$2.4 million to \$3.2 million. Most of the increase is attributable to \$0.6 million of interest and fee revenue from the Arriva Card in Q1 2007 vs. \$0 in the comparable 2006 quarter.

Cost of revenues (exclusive of depreciation and amortization) increased 16.8% in the first quarter of 2007 to \$106.7 million from \$91.4 million in the first quarter of 2006. Commissions, the largest component of cost of revenues, increased 17.2%. Interchange increased 15.5%, driven largely by the increase in cash advance volumes.

Operating expenses in the first quarter of 2007 were \$17.9 million, an increase of 17.3% over the same period in 2006. Operating expenses, excluding non-cash compensation expense, were \$15.0 million in the current quarter, an increase of 12.5% from operating expenses of \$13.3 million in the first quarter of 2006. Of the \$1.7 million increase in operating expenses (excluding non-cash compensation expense), \$0.5 million relates to increases in professional service fees for financial statement audit and Sarbanes-Oxley Section 404 compliance expenses and \$0.2 million relates to increases in operating expenses related to the Arriva Card.

Depreciation and amortization expense was \$2.8 million in the first quarter of 2007, an increase of 7.4% from \$2.6 million in the first quarter of 2006.

Interest income was \$0.9 million in the first quarter of 2007, an increase of 61.4% from the comparable 2006 period.

Interest expense in the first quarter of 2007 was \$9.6 million as compared to \$10.2 million in the first quarter of 2006. Interest expense on the Company's borrowings declined \$1.0 million due to the lower level of outstanding indebtedness and lower interest rates on the floating rate portion of that indebtedness in the first quarter of 2007. Interest expense on the Company's ATM funds increased 10.9% from \$3.5 million in Q1 2006 to \$3.9 million in Q1 2007, due primarily to increases in the LIBOR rate on which those funds are priced and offset by lower average ATM funds outstanding.

Income tax expense in the first quarter of 2007 was \$4.7 million. The Company's provision in the first quarter of 2007 is based on an expected effective rate for all of 2007 of 38.0%.

Arriva Card

Revenues from the Arriva Card in the first quarter of 2007 were \$0.6 million. Cost of revenues (exclusive of depreciation and amortization) in the first quarter of 2007 were \$1.0 million and operating expenses for Arriva in the quarter were \$0.5 million. Operating loss from Arriva operations was \$1.0 million.

Receivables held by the Company's financing partner were \$7.4 million at March 31, 2007. Total receivables at March 31, 2007 were \$12.8 million, of which \$5.4 million were held by Arriva.

Balance Sheet

At March 31, 2007, the Company had unrestricted cash and cash equivalents of \$52.6 million. Settlement receivables were \$72.5 million and settlement liabilities were \$76.9 million.

Total borrowings at March 31, 2007, were \$274.2 million, consisting of \$121.5 million of borrowings under the Company's senior secured credit facilities and \$152.8 million face amount of 8 3/4% senior subordinated notes.

The Company made investments in property, equipment and intangible assets of \$2.4 million during the three months ended March 31, 2007, which include ATM and other casino floor equipment as well as purchases of computer and communications hardware and software.

During the quarter ended March 31, 2007, the Company repurchased 137 thousand shares of common stock at an average price per share of \$15.60 for a total investment of \$2.1 million. As of May 4, 2007, repurchases stood at 176 thousand shares at an average price of \$15.69 and a total investment of \$2.8 million.

Financial Guidance

For the full year of fiscal 2007, the Company currently expects revenues in a range of \$643 million to \$652 million, adjusted diluted cash EPS in a range of \$0.75 to \$0.77 per share, and diluted Cash Earnings (including stock compensation expense) in a range of \$0.66 to \$0.68 per

share..

For the second quarter of fiscal 2007, the Company currently expects revenues in a range of \$154 to \$157 million and adjusted diluted cash EPS of approximately \$0.18 and Cash Earnings (including stock compensation expense) of approximately \$0.16.

This financial guidance is given as of the date hereof and is based on factors and circumstances known to the Company at this time. Such factors and circumstances may change, and such changes may have an impact on the Company's financial outlook.

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 adjusted results on a supplemental basis. Adjusted results in the first quarter of 2007 and 2006 exclude \$2.9 million and \$2.0 million, respectively, of stock-based compensation expense. In addition, the Company uses certain non-GAAP measures of financial performance. Reconciliations between GAAP measures and non-GAAP measures and between actual results and adjusted results are provided at the end of this press release.

None of EBITDA (which excludes stock-based compensation), Cash Earnings or Adjusted Cash Earnings is a measure of financial performance under United States generally accepted accounting principles ("GAAP"). Accordingly, none of them should be considered a substitute for net income, operating income or other income or cash flow data prepared in accordance with GAAP. The Company believes that EBITDA (which excludes stock-based compensation), Cash Earnings and Adjusted Cash Earnings are widely-referenced financial measures in the financial markets. In addition, the Company has identified certain adjustments to its financial results that address income or expenses that the Company believes are unusual or non-recurring in nature. The Company believes that referencing EBITDA (which excludes stock-based compensation), Cash Earnings and Adjusted Cash Earnings and identifying unusual or non-recurring items is helpful to investors. Reconciliations between GAAP and non-GAAP measures and between actual and adjusted financial results are presented elsewhere in this press release.

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, our expectation that our effective tax rate for the full year 2007 will be 38.0% and all of the statements in the section of this release entitled "Financial Guidance."

Our beliefs, expectations, forecasts, objectives, anticipations, intentions and strategies regarding the future, including without limitation those concerning expected operating results, revenues and earnings are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from results contemplated by the forward-looking statements, including but not limited to:

- with respect to our expectation that our effective tax rate will be 38.0% for the full year 2007:
 - changes in financial results from the expectations identified under "Financial Guidance";
 - incurrence of expenses that are not deductible for tax purposes; and
 - the entry into business lines or foreign countries with tax structures different from the ones we are currently subject to.
-
- with respect to our Financial Guidance:
 - our failure to correctly predict increases in revenue due to inaccuracies in our assumptions, our inability to execute on business opportunities or other reasons;
 - our failure to correctly predict future gross margins and operating expenses due to inaccuracies in our assumptions, our inability to control expenses or other reasons;
 - our failure to correctly anticipate our capital spending in 2007, which would affect the level of depreciation expense and the level of cash available for debt repayment or share repurchases;
 - our failure to anticipate other uses of our cash which could prevent us from repaying debt as anticipated;
 - our inability to correctly predict the future levels of interest rates;
 - changes in income tax rates in the jurisdictions in which we operate;
 - challenges by the Internal Revenue Service to the tax step-ups that contribute to the bulk of our deferred tax asset;
 - unanticipated changes in the amount of our diluted common shares outstanding; and
 - unanticipated expenses or other contingencies incurred in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

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 registration statement on Form S-1 (No. 333-133996), our Annual Report filed on Form 10-K (No. 001-32622) and our quarterly reports on Form 10-Q, 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.

Las Vegas-based Global Cash Access Holdings, Inc. is a holding company whose principal asset is the stock of Global Cash Access, Inc., a leading provider of cash access systems and related marketing services to the gaming industry. For more information, please visit the Company's Web site at www.globalcashaccess.com.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share)

(unaudited)

	Three Months Ended March 31,	
	2007	2006
REVENUES:		
Cash advance	\$77,412	\$67,055
ATM	60,766	53,160
Check services	7,351	7,244
Central Credit and other revenues	3,215	2,376
	148,744	129,835
Cost of revenues (exclusive of depreciation and amortization)	(106,729)	(91,351)
Operating expenses	(17,932)	(15,290)
Amortization	(1,326)	(1,502)
Depreciation	(1,431)	(1,065)
	21,326	20,627
OPERATING INCOME		
INTEREST INCOME (EXPENSE), NET		
Interest income	896	555
Interest expense	(9,642)	(10,248)
	(8,746)	(9,693)
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	12,580	10,934
INCOME TAX PROVISION	(4,744)	(4,007)
	7,836	6,927
INCOME BEFORE MINORITY OWNERSHIP LOSS		
MINORITY OWNERSHIP LOSS, net of tax	64	36
	\$7,900	\$6,963
NET INCOME		
Earnings per share		
Basic	\$0.10	\$0.09
Diluted	\$0.10	\$0.09
Weighted average number of common shares outstanding		
Basic	81,764	81,556
Diluted	82,044	81,556

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

Reconciliation of Adjusted Cash Earnings and Cash Earnings to Net Income, and EBITDA (which excludes stock-based compensation) to Net

Income
(amounts in thousands)
(unaudited)

	Three Months Ended March 31,	
	2007	2006
EBITDA (which excludes stock-based compensation)	\$27,019	\$25,155
Minus:		
Stock-based compensation expense	(2,936)	(1,961)
Depreciation	(1,431)	(1,065)
Amortization	(1,326)	(1,502)
Interest expense	(9,642)	(10,248)
Income tax provision	(4,744)	(4,007)
Plus:		
Interest income	896	555
Minority ownership loss, net of tax	64	36
Net Income	\$7,900	\$6,963
Plus:		
Deferred tax amortization related to acquired goodwill	4,345	4,116
Cash Earnings	\$12,245	\$11,079
Plus:		
Non-cash compensation expense, net of tax	1,820	1,243
Adjusted Cash Earnings	\$14,065	\$12,322
Weighted average number of common shares outstanding		
Basic	81,764	81,556
Diluted	82,044	81,556
Cash Earnings per share		
Diluted	\$0.15	\$0.14
Adjusted Cash Earnings per share		
Diluted	\$0.17	\$0.15

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