

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 11/06/08 for the Period Ending 11/05/08

Address	7250 S. TENAYA WAY SUITE 100 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

**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): November 5, 2008

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.)

3525 East Post Road, Suite 120

Las Vegas, Nevada

(Address of Principal Executive Offices)

89120

(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))
-
-

Item 2.02. Results Of Operations And Financial Condition.

On November 5, 2008, Global Cash Access Holdings, Inc. issued a press release announcing its results of operations for the fiscal quarter ended September 30, 2008. 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
99.1	Press Release announcing results of operations for the fiscal quarter ended September 30, 2008.

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: November 6, 2008

By: /s/ George Gresham _____
George Gresham, Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Document
99.1	Press Release announcing results of operations for the fiscal quarter ended September 30, 2008.

**Press Release Announcing Results of Operations for the
Fiscal Quarter Ended September 30, 2008**

Investor Contact: George Gresham, CFO
(702) 855-3005

Media Contact: Adria Greenberg
Sommerfield Communications, Inc.
(212) 255-8386

Global Cash Access Reports Third Quarter Diluted EPS from Continuing Operations of \$0.11 up \$0.03, and Diluted Cash EPS of \$0.17 up \$0.04, on 19% Revenue Growth.

(Las Vegas, NV) — Global Cash Access Holdings, Inc. (NYSE:GCA) (the “Company”) today announced preliminary, unaudited financial results for the quarter ended September 30, 2008.

Fiscal Third Quarter 2008 Results

For the quarter ended September 30, 2008, revenues were \$185.1 million, an increase of 19% over the \$155.8 million in revenues recorded in the same quarter last year. Operating income was \$21.3 million, an increase of 12% over the \$19.0 million recognized in the prior year. Earnings before interest, taxes, depreciation and amortization (see Non-GAAP Financial Information below) increased to \$26.1 million from \$21.9 million, a 19% increase.

The Company’s results for the quarter include the operations of Certegy Gaming Services, Inc., which was acquired in April of 2008 and Cash Systems, Inc., which was acquired in August of 2008.

“We are quite pleased with these results” said Scott Betts, President and Chief Executive Officer of the Company. “Despite the turbulence in the gaming sector, our strategy is yielding growth on the top and bottom line. Our strong financial position has allowed us to make two important acquisitions that we believe will continue to drive growth in this tough market. Additionally, we remain focused on execution by making investments in operational improvements, cost savings and product innovation with the objective of providing our customers with new and better products and positioning the Company to compete in markets around the globe.”

Forward Looking Statements

The Company expects full-year revenues in 2008 to be between \$670 and \$673 million. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) are expected to be between \$94 and \$96 million. Diluted earnings per share from continuing operations are expected to fall towards the low end of the range of our previously issued guidance of between \$0.39 and \$0.42 per share.

The foregoing expectations reflect the following assumptions:

- An effective tax rate for the full year of approximately 42%;
- Cash outlays for capital expenditures approximating those amounts disbursed in 2007; and
- Diluted shares of approximately 77,000,000.

Investor Conference Call and Webcast

The Company will host an investor conference call to discuss its fiscal third quarter 2008 results today at 5:00 p.m. ET. The conference call can be accessed live over the phone by dialing (800) 561-2718 or for international callers (617) 614-3525; the conference ID is 61838696. A replay will be available one hour after the call and can be accessed by dialing (888) 286-8010 or (617) 801-6888 for international callers; the conference ID is 54270461. The call will be webcast live from the Company's website at 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 and Cash Earnings Per Share from Continuing Operations ("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 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 or other income or cash flow data prepared in accordance with GAAP.

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 belief that our recent acquisitions will drive growth; (b) our expectation that our effective tax rate for the full year 2008 will be approximately 42%; (c) our expectation that cash outlays for capital expenditures to be somewhat lower than those amounts disbursed in 2007; (d) our assumption that there are approximately 77,000,000 diluted shares issued; and (e) our belief that EBITDA, and Cash EPS are widely-referenced financial measures in the financial markets and our belief that references to the foregoing is helpful to investors.

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: (a) unexpected events that may impact our ability to drive growth; (b) with respect to our expectation that our effective tax rate will be approximately 42% for the full year 2008 (i) incurrence of expenses that are not deductible for tax purposes, (ii) the entry into business lines or foreign countries with tax structures different from the ones we are currently subject to; (c) unexpected events that may require capital expenditures to materially differ from those amounts disbursed in 2007; and (d) inaccuracies in our assumptions as to the financial measures that investors use or the manner in which such financial measures may be used by such investors.

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.

About Global Cash Access Holdings, Inc.

Las Vegas-based Global Cash Access, Inc. ("GCA"), a wholly owned subsidiary of Global Cash Access Holdings, Inc. (NYSE: GCA), is a leading provider of cash access products and related services to over 1,100 casinos and other gaming properties in the United States, Europe, Canada, the Caribbean 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 cash advances, check verification and warranty services and Western Union money transfers. GCA 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 Web site at www.gcainc.com.

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

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 59,393	\$ 71,063
Restricted cash and cash equivalents	386	1,380
Settlement receivables	41,833	61,066
Receivables other, net	25,238	14,424
Prepaid and other assets	11,605	6,905
Assets held for sale	2,343	12,180
Property, equipment and leasehold improvements, net	26,497	23,516
Goodwill, net	187,367	156,889
Other intangibles, net	37,319	13,652
Deferred income taxes, net	<u>163,757</u>	<u>177,227</u>
 Total assets	 <u>\$ 555,738</u>	 <u>\$ 538,302</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Settlement liabilities	\$ 48,957	\$ 93,727
Accounts payable	34,294	22,402
Accrued expenses	21,441	20,262
Borrowings	<u>296,000</u>	<u>263,480</u>
 Total liabilities	 <u>400,692</u>	 <u>399,871</u>
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	—	135
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 500,000 shares authorized and 82,972 and 82,981 shares issued at September 30, 2008 and December 31, 2007, respectively	83	83
Preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at September 30, 2008 and December 31, 2007, respectively	—	—
Additional paid in capital	169,759	163,070
Retained earnings	33,105	14,103
Accumulated other comprehensive income	2,301	2,708
Treasury stock, at cost, 6,010 and 4,563 shares at September 30, 2008 and December 31, 2007, respectively.	<u>(50,202)</u>	<u>(41,668)</u>
Total stockholders' equity	<u>155,046</u>	<u>138,296</u>
 Total liabilities and stockholders' equity	 <u>\$ 555,738</u>	 <u>\$ 538,302</u>

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(amounts in thousands, except per share)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
REVENUES:				
Cash advance	\$ 89,102	\$ 82,898	\$ 244,320	\$ 240,012
ATM	79,863	62,237	210,670	184,096
Check services	12,962	8,154	31,479	22,996
Central Credit and other revenues	<u>3,132</u>	<u>2,473</u>	<u>8,883</u>	<u>7,632</u>
Total revenues	185,059	155,762	495,352	454,736
Cost of revenues (exclusive of depreciation and amortization)	(136,694)	(113,115)	(362,226)	(326,674)
Operating expenses	(22,229)	(20,660)	(61,681)	(54,464)
Amortization	(1,955)	(1,358)	(4,546)	(3,945)
Depreciation	<u>(2,865)</u>	<u>(1,602)</u>	<u>(6,702)</u>	<u>(4,558)</u>
OPERATING INCOME	<u>21,316</u>	<u>19,027</u>	<u>60,197</u>	<u>65,095</u>
INTEREST INCOME (EXPENSE), NET				
Interest income	287	1,007	1,735	2,905
Interest expense	<u>(7,814)</u>	<u>(9,532)</u>	<u>(23,034)</u>	<u>(28,884)</u>
Total interest income (expense), net	<u>(7,527)</u>	<u>(8,525)</u>	<u>(21,299)</u>	<u>(25,979)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	13,789	10,502	38,898	39,116
INCOME TAX PROVISION	<u>(5,385)</u>	<u>(4,069)</u>	<u>(15,976)</u>	<u>(14,931)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY OWNERSHIP LOSS	8,404	6,433	22,922	24,185
MINORITY OWNERSHIP LOSS, NET OF TAX	<u>—</u>	<u>65</u>	<u>86</u>	<u>188</u>
INCOME FROM CONTINUING OPERATIONS	8,404	6,498	23,008	24,373
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	156	(1,175)	(4,006)	(2,582)
NET INCOME	<u>8,560</u>	<u>5,323</u>	<u>19,002</u>	<u>21,791</u>
Foreign currency translation, net of tax	(346)	508	(407)	1,040
COMPREHENSIVE INCOME	<u>8,214</u>	<u>5,831</u>	<u>18,595</u>	<u>22,831</u>
Basic net income per share of common stock				
Continuing operations	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Discontinued operations	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Basic net income per share of common stock	<u>\$ 0.11</u>	<u>\$ 0.07</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>
Diluted net income per share of common stock				
Continuing operations	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Discontinued operations	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>

Diluted net income per share of common stock	<u>\$ 0.11</u>	<u>\$ 0.07</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>
Weighted average number of common shares outstanding				
Basic	<u>76,723</u>	<u>81,484</u>	<u>76,801</u>	<u>81,667</u>
Diluted	<u>76,724</u>	<u>81,705</u>	<u>76,801</u>	<u>81,967</u>

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Nine Months Ended	
	September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,002	\$ 21,791
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization of financing costs	729	729
Amortization of intangibles	4,546	4,084
Depreciation	6,702	4,561
Loss on sale of or disposal of assets	—	139
Provision for bad debts	14,198	5,806
Deferred income taxes	13,483	12,482
Minority ownership loss	(135)	(294)
Stock-based compensation	6,690	12,467
Changes in operating assets and liabilities:		
Settlement receivables	29,202	21,386
Receivables other, net	(9,234)	(12,597)
Prepaid and other assets	(926)	629
Settlement liabilities	(60,602)	(12,436)
Accounts payable	8,660	(747)
Accrued expenses	(7,258)	265
Net cash provided by operating activities	<u>25,057</u>	<u>58,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certegy Gaming Acquisition, net of cash	(24,819)	—
Cash Systems, Inc. Acquisition, net of cash	(29,916)	—
Purchase of property, equipment and leasehold improvements	(7,405)	(8,289)
Purchase of other intangibles	(131)	(1,348)
Changes in restricted cash and cash equivalents	994	(26)
Net cash used in investing activities	<u>(61,277)</u>	<u>(9,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facility	121,000	—
Repayments under credit facility	(88,480)	(10,750)
Debt issuance costs	—	(23)
Proceeds from exercise of stock options	—	1,201
Purchase of treasury stock	(9,462)	(16,843)
Minority capital contributions	—	400
Net cash provided by (used in) financing activities	<u>23,058</u>	<u>(26,015)</u>

(Continued)

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Nine Months Ended	
	September 30,	
	2008	2007
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ 1,492	\$ (742)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,670)	21,845
CASH AND CASH EQUIVALENTS—Beginning of period	<u>71,063</u>	<u>40,919</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 59,393</u>	<u>\$ 62,764</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 25,371</u>	<u>\$ 31,459</u>
Cash paid for income taxes, net of refunds	<u>\$ 575</u>	<u>\$ 1,381</u>

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

Reconciliation of Diluted Cash Earnings Per Share from Continuing Operations to Diluted Earnings Per Share from Continuing Operations, and Operating Income to EBITDA
(amounts in thousands)
(unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Reconciliation of Income from Continuing Operations to Diluted Cash Earnings Per Share from Continuing Operations				
Income from Continuing Operations	\$ 8,404	\$ 6,498	\$ 23,008	\$ 24,373
Plus:				
Deferred tax amortization related to acquired goodwill	<u>4,455</u>	<u>4,427</u>	<u>14,077</u>	<u>13,083</u>
Cash Earnings	<u>\$ 12,859</u>	<u>\$ 10,925</u>	<u>\$ 37,085</u>	<u>\$ 37,456</u>
Diluted Cash Earnings Per Share from Continuing Operations	<u>\$ 0.17</u>	<u>\$ 0.13</u>	<u>\$ 0.48</u>	<u>\$ 0.46</u>
Reconciliation of Operating Income to EBITDA				
Operating Income	\$ 21,316	\$ 19,027	\$ 60,197	\$ 65,095
Amortization	1,955	1,358	4,546	3,945
Depreciation	<u>2,865</u>	<u>1,602</u>	<u>6,702</u>	<u>4,558</u>
EBITDA	<u>\$ 26,136</u>	<u>\$ 21,987</u>	<u>\$ 71,445</u>	<u>\$ 73,598</u>
Weighted average number of common shares outstanding				
Diluted	<u>76,724</u>	<u>81,705</u>	<u>76,801</u>	<u>81,967</u>

Income Statement by Quarter for 2007 as Adjusted for Discontinued Operations (Arriva)

	Three Months Ended				Year Ended
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	December 31, 2007
Revenues	\$ 148,177	\$ 150,797	\$ 155,762	\$ 143,204	\$ 597,940
Cost of revenues	(105,705)	(107,824)	(113,115)	(101,864)	(428,508)
Operating expenses	(17,346)	(16,456)	(20,660)	(25,152)	(79,614)
Amortization	(1,281)	(1,305)	(1,358)	(1,357)	(5,301)
Depreciation	(1,431)	(1,527)	(1,602)	(1,739)	(6,299)
Operating income	<u>22,414</u>	<u>23,685</u>	<u>19,027</u>	<u>13,092</u>	<u>78,218</u>
Interest income	887	1,011	1,007	726	3,631
Interest expense	(9,643)	(9,710)	(9,532)	(9,261)	(38,146)
Interest income (expense), net	<u>(8,756)</u>	<u>(8,699)</u>	<u>(8,525)</u>	<u>(8,535)</u>	<u>(34,515)</u>
Income from continuing operations before income tax provision and minority ownership loss	13,658	14,986	10,502	4,557	43,703
Income tax provision	<u>(5,106)</u>	<u>(5,742)</u>	<u>(4,069)</u>	<u>(1,792)</u>	<u>(16,709)</u>
Income from continuing operations before minority ownership loss	8,552	9,244	6,433	2,765	26,994
Minority ownership loss, net of tax	<u>64</u>	<u>59</u>	<u>65</u>	<u>48</u>	<u>236</u>
Income from continuing operations	8,616	9,303	6,498	2,813	27,230
Loss from discontinued operations, net of tax	<u>(716)</u>	<u>(735)</u>	<u>(1,175)</u>	<u>(899)</u>	<u>(3,525)</u>
Net income	7,900	8,568	5,323	1,914	23,705
Foreign currency translation, net of tax	<u>56</u>	<u>475</u>	<u>508</u>	<u>(492)</u>	<u>547</u>
Comprehensive income	<u>\$ 7,956</u>	<u>\$ 9,043</u>	<u>\$ 5,831</u>	<u>\$ 1,422</u>	<u>\$ 24,252</u>
Basic net income per share of common stock:					
Continuing operations	\$ 0.11	\$ 0.11	\$ 0.08	\$ 0.04	\$ 0.34
Discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Net income	\$ 0.10	\$ 0.10	\$ 0.07	\$ 0.02	\$ 0.29
Diluted net income per share of common stock:					
Continuing operations	\$ 0.11	\$ 0.11	\$ 0.08	\$ 0.04	\$ 0.33
Discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Net income	\$ 0.10	\$ 0.10	\$ 0.07	\$ 0.02	\$ 0.29
Average number of common shares outstanding:					
Basic	81,764	81,752	81,484	79,450	81,108
Diluted	82,044	82,084	81,705	79,466	81,377