

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 08/03/06 for the Period Ending 08/03/06

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

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 8-K (Current report filing)

Filed 8/3/2006 For Period Ending 8/3/2006

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

August 3, 2006
(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.)

3525 East Post Road, Suite 120

Las Vegas, Nevada
(Address of Principal Executive Offices)

89120
(Zip Code)

(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 August 3, 2006, Global Cash Access Holdings, Inc. issued a press release announcing its results of operations for the second quarter ended June 30, 2006. 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 second quarter ended June 30, 2006.

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: August 3, 2006

By: /s/ Harry C. Hagerty

Harry C. Hagerty, Chief Financial Officer

Global Cash Access Announces Second Quarter 2006 Financial Results; Revenue of \$133.6 Million and Adjusted Diluted Cash EPS of \$0.16

LAS VEGAS--(BUSINESS WIRE)--Aug. 3, 2006--Global Cash Access Holdings, Inc. (NYSE:GCA) ("GCA" or the "Company") today announced financial results for the quarter ended June 30, 2006.

Statement about Accounting Terms

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 second quarter of 2006 exclude:

- \$2.4 million of stock-based compensation expense;
- \$0.7 million of expenses associated with the secondary offering of common stock completed in May 2006; and
- \$0.2 million in settlement of a lawsuit with a former customer.

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.

Summary Non-GAAP Results

For the quarter ended June 30, 2006, revenues were \$133.6 million, an increase of 18.8% over the \$112.5 million in revenues recorded in the same quarter last year. Adjusted Net Income was \$8.6 million in Q2 2006, an increase of 28.8% over net income of \$6.6 million in Q2 2005. Adjusted Cash Earnings, which reflect the amortization of the acquired goodwill realized in the Company's 2004 recapitalization transactions, were \$12.9 million in Q2 2006 as compared to \$10.6 million in Q2 2005, an increase of 21.5%. Adjusted Cash Earnings per diluted share were \$0.16 in Q2 2006 as compared to \$0.15 in Q2 2005. Adjusted EBITDA was \$25.9 million in Q2 2006, an increase of 7.1% from EBITDA of \$24.2 million in the same period in 2005. Adjusted figures in Q2 2006 exclude \$2.4 million of non-cash compensation expense (\$1.5 million after taxes), \$0.7 million of secondary offering expenses (\$0.7 million after taxes) and \$0.2 million of lawsuit settlement expenses (\$0.1 million after taxes).

"The second quarter of 2006 showed growth that was even better than we saw in the first quarter," commented Kirk Sanford, President and Chief Executive Officer of GCA. "At the same time, we made significant progress on our new initiatives. Our redemption kiosk platform is getting good traction, our EDITH kiosk was approved by GLI, and we launched our exciting new Arriva Card program. All these initiatives should continue to distinguish GCA as the product leader in cash access for gaming enterprises."

Recent Highlights

- Recorded revenue of \$133.6 million, the highest quarterly total ever recorded by the Company.
- Significant increases in key metrics:
 - Same store surcharge revenue up 12.4%
 - Cash advance dollars disbursed up 19.9%
 - ATM transaction volume up 15.4%.
- 3-in-1 Enabled QuickJack(TM) Plus Redemption Kiosk installations reached 154 as of June 30, 2006.
- Signed contracts with major new customers Sycuan Resort and Casino and Thunder Valley Casino.
- Received approval for EDITH from Gaming Laboratories International ("GLI").
- Put \$9.3 billion in cash into the hands of gaming patrons in the first half of 2006.

GAAP Results

For the second quarter of 2006, total revenues were \$133.6 million, an increase of 18.8% over the second quarter of 2005. Operating Income (including non-cash compensation expense) in the 2006 quarter was \$20.2 million, a decrease of 3.5% from the same period in 2005. Net income in the 2006 quarter was \$6.3 million, down from \$6.6 million in the second quarter of 2005. Diluted earnings per share were \$0.08 in

the second quarter of 2006 as compared to \$0.09 in the second quarter of 2005.

For the first half of 2006, total revenues were \$263.4 million, an increase of 18.6% over the first half of 2005. Operating Income (including non-cash compensation expense) in the 2006 first half was \$40.8 million, a decrease of 4.6% from the same period in 2005. Net income in the first half of 2006 was \$13.2 million, down from \$14.0 million in the first half of 2005. Diluted earnings per share were \$0.16 in the first half of 2006 as compared to \$0.20 in the first half of 2005.

Second Quarter Results of Operations

Total revenues increased 18.8% from \$112.5 million in the second quarter of 2005 to \$133.6 million in the second quarter of 2006. Same store revenues for Cash Advance and ATM surcharge increased 12.4%.

The following is a comparison of selected revenue components for the second quarter of 2006 to the same period in 2005:

-- Cash advance revenues were up 19.3%, from \$57.9 million to \$69.1 million. Cash disbursed increased 19.9%, from \$1.15 billion to \$1.38 billion. The number of transactions increased 11.7%, from 2.3 million to 2.5 million. The average transaction amount increased from \$503.85 to \$540.94. The average fee declined from 5.05% to 5.03%. Average revenue per transaction increased 6.9% from \$25.43 to \$27.18.

-- ATM revenues increased 20.7%, from \$45.2 million to \$54.6 million. The number of transactions increased 15.4% from 14.7 million to 17.0 million. Cash disbursed was \$3.01 billion compared to \$2.45 billion, an increase of 22.7%. Average revenue per transaction increased 4.9% from \$3.07 to \$3.22.

-- Check services revenues were \$7.5 million, an increase of 10.8%. The face amount of checks warranted increased by 21.0%, from \$280.1 million to \$339.0 million. The number of check warranty transactions grew 8.2%, from 1.19 million to 1.29 million. The average face amount per check warranted grew from \$235.65 to \$263.51, an increase of 11.8%. The average check warranty fee declined from 2.27% to 2.11%. Average check warranty revenue per transaction increased 3.9% from \$5.35 to \$5.56.

-- Central Credit and other revenues declined 7.3%, from \$2.6 million to \$2.4 million.

Cost of revenues increased 24.1% in the quarter to \$94.3 million from \$76.0 million in the second quarter of 2005. Commissions, the largest component of cost of revenues, increased 26.2%. Interchange increased 20.9%, driven by the increase in cash advance volumes.

Gross margin (excluding depreciation and amortization) was 29.4% in the second quarter of 2006 as compared to 32.4% in the second quarter of 2005 and 29.6% in the first quarter of 2006.

Operating expenses increased 35.4% from \$12.3 million in the second quarter of 2005 to \$16.6 million in the current quarter. Operating expenses excluding non-cash compensation expense, secondary offering expenses and settlement expenses were \$13.4 million in the current quarter, an increase of 8.9%. Operating expenses (excluding the items just listed, where applicable) were essentially unchanged from the first quarter of 2006. Operating expenses in Q2 2006 included approximately \$0.5 million in start-up expenses related to Arriva.

Depreciation and amortization expense declined 24.6% from \$3.2 million in the second quarter of 2005 to \$2.4 million in the second quarter of 2006.

Interest income was \$868 thousand in Q2 2006, an increase of 379.6% from the comparable 2005 period.

Interest expense in the second quarter of 2006 was \$10.7 million as compared to \$10.8 million in the second quarter of 2005. Interest expense on the Company's borrowings declined \$1.9 million due to the lower level of outstanding indebtedness in the second quarter of 2006, offset by higher interest rates on the floating rate portion of that indebtedness. Interest expense on the Company's ATM funds increased 78.3% from \$2.2 million in Q2 2005 to \$4.0 million in Q2 2006, due primarily to increases in the LIBOR rate on which those funds are priced.

Income tax expense in the second quarter of 2006 was \$4.2 million as compared to \$3.7 million in the comparable quarter of 2005. The Company's provision in the second quarter of 2006 is based on an expected effective rate for all of 2006 of 37.9%. The increase in expected effective tax rate for the year from the prior quarter estimate is principally a result of the non-deductibility of the secondary offering expenses.

Balance Sheet

At June 30, 2006, the Company had cash and cash equivalents of \$58.6 million. Settlement receivables were \$24.9 million and settlement liabilities were \$26.8 million.

Total borrowings at June 30, 2006 were \$316.8 million, consisting of \$164.0 million of borrowings under the Company's senior secured credit facilities and \$152.8 million face amount of 8 3/4% senior subordinated notes. During the second quarter of 2006, the Company made a \$2.3 million mandatory repayment on the term loan component of its senior secured credit facilities.

The Company made investments in property, equipment and software of \$8.0 million and \$0.7 million during the three months ended June 30, 2006 and 2005, respectively. Investments in the 2006 period include ATM and other casino floor equipment as well as purchases of computer and communications hardware and software.

Financial Guidance

For fiscal 2006, the Company currently expects revenues in a range of \$530 million to \$540 million and Adjusted Diluted Cash Earnings per Share in a range of \$0.62 to \$0.64. Revisions from the previously issued guidance of \$0.64 - \$0.66 are due to 1) anticipated losses from the launch of the Arriva Card (\$0.01 per share) and 2) a revision in the forecast of gross margin (excluding depreciation and amortization) for the second half of the year from 30.0% to 29.5% (\$0.01 per share). The Company currently expects Q3 2006 revenue to be in a range of \$137 million to \$139 million and Adjusted Diluted Cash Earnings per Share in a range of \$0.15 to \$0.16.

Excluded from the Adjusted Diluted Cash Earnings per Share figures presented above are anticipated non-cash stock compensation expenses of

\$9.0 million for the full year and \$2.3 million for the third quarter.

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. The Company is under no obligation to update its financial guidance.

Non-GAAP Financial Information

None of EBITDA, Adjusted EBITDA, Adjusted Net Income 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, Adjusted EBITDA, Adjusted Net Income 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, Adjusted EBITDA, Adjusted Net Income 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 all of the assumptions and forecasts given 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:

- 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 2006, which would affect the level of depreciation expense and the level of cash available for debt repayment;
- 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;
- and unanticipated changes in the amount of our diluted common shares outstanding.

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 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.

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
REVENUES:				
Cash advance	\$ 69,143	\$ 57,933	\$ 136,198	\$ 114,710
ATM	54,586	45,217	107,746	88,989
Check services	7,459	6,734	14,703	13,043
Central Credit and other revenues	2,388	2,576	4,764	5,383
Total revenues	133,576	112,460	263,411	222,125
Cost of revenues	(94,292)	(75,987)	(185,643)	(148,452)
Operating expenses	(16,636)	(12,288)	(31,926)	(24,301)
Amortization	(1,384)	(1,295)	(2,886)	(2,659)
Depreciation	(1,050)	(1,932)	(2,115)	(3,884)
OPERATING INCOME	20,214	20,958	40,841	42,829
INTEREST INCOME (EXPENSE), NET				
Interest income	868	181	1,424	633
Interest expense	(10,701)	(10,828)	(20,949)	(21,760)
Total interest income (expense), net	(9,833)	(10,647)	(19,525)	(21,127)
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	10,381	10,311	21,316	21,702
INCOME TAX PROVISION	(4,140)	(3,712)	(8,147)	(7,813)
INCOME BEFORE MINORITY OWNERSHIP LOSS	6,241	6,599	13,169	13,889
MINORITY OWNERSHIP LOSS, net of tax	38	44	74	94
NET INCOME	\$ 6,279	\$ 6,643	\$ 13,243	\$ 13,983
Earnings per share				
Basic	\$ 0.08	\$ 0.21	\$ 0.16	\$ 0.43
Diluted	\$ 0.08	\$ 0.09	\$ 0.16	\$ 0.20
Weighted average number of common shares outstanding				
Basic	81,619	32,175	81,588	32,175
Diluted	82,230	71,699	81,965	71,699

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

Reconciliation of Adjusted Cash Earnings and Adjusted Net Income to Net Income, and Adjusted EBITDA and EBITDA to Net Income

(amounts in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005

Adjusted EBITDA	\$ 25,900	\$ 24,185	\$ 50,165	\$ 49,372
Minus:				
Non-cash compensation expense	(2,362)	-	(4,323)	-
Secondary offering costs	(690)	-	(690)	-
Litigation settlement costs	(200)	-	(200)	-
EBITDA	\$ 22,648	\$ 24,185	\$ 45,842	\$ 49,372
Minus:				
Depreciation	(1,384)	(1,295)	(2,886)	(2,659)
Amortization	(1,050)	(1,932)	(2,115)	(3,884)
Interest expense	(10,701)	(10,828)	(20,949)	(21,760)
Income tax provision	(4,140)	(3,712)	(8,147)	(7,813)
Plus:				
Interest income	868	181	1,424	633
Minority ownership loss, net of tax	38	44	74	94
Net Income	\$ 6,279	\$ 6,643	\$ 13,243	\$ 13,983
Plus:				
Non-cash compensation expense, net of tax	1,466	-	2,684	-
Secondary offering costs, net of tax	690		690	
Litigation settlement costs, net of tax	124		124	
Adjusted Net Income	\$ 8,559	\$ 6,643	\$ 16,741	\$ 13,983
Plus:				
Deferred tax amortization related to acquired goodwill	4,336	3,972	8,672	3,972
Adjusted Cash Earnings	\$ 12,895	\$ 10,615	\$ 25,413	\$ 17,955
Weighted average number of common shares outstanding				
Basic	81,619	32,175	81,588	32,175
Diluted	82,230	71,699	81,965	71,699
Adjusted Cash Earnings per Share Diluted	0.16	0.15	0.31	0.25

CONTACT: Global Cash Access Holdings, Inc. Harry Hagerty, 702-262-5003 (Investor Contact) or Katcher Vaughn & Bailey Communications Mary Beth Davis, 615-248-8202 (Media Contact)