

CAESARS ENTERTAINMENT Corp
Form 10-Q
August 11, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-10410

CAESARS ENTERTAINMENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

62-1411755
(I.R.S. Employer Identification No.)

One Caesars Palace Drive, Las Vegas, Nevada
(Address of principal executive offices)
(702) 407-6000
(Registrant's telephone number, including area code)

89109
(Zip Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2014
Common stock, \$0.01 par value	144,240,596

CAESARS ENTERTAINMENT CORPORATION
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We have proprietary rights to a number of trademarks used in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (this "Form 10-Q"), that are important to our business, including, without limitation, Caesars, Caesars Entertainment, Caesars Palace, Harrah's, Total Rewards, Horseshoe, Paris Las Vegas, Flamingo, and Bally's. In addition, Caesars Interactive Entertainment, Inc., which is a majority owned subsidiary of Caesars Growth Partners, LLC, has proprietary rights to the Slotomania, Bingo Blitz and World Series of Poker ("WSOP") trademarks. We have omitted the registered trademark (®) and trademark (™) symbols for such trademarks named in this Form 10-Q.

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In millions, except par value)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (\$495.7 and \$976.9 attributable to our VIE)	\$3,429.6	\$2,771.2
Restricted cash (\$25.2 and \$28.8 attributable to our VIE)	93.0	87.5
Receivables, net (\$94.1 and \$54.8 attributable to our VIEs)	644.3	619.9
Deferred income taxes (\$4.0 and \$7.0 attributable to our VIE)	5.4	8.7
Prepayments and other current assets (\$21.1 and \$15.6 attributable to our VIE)	217.7	237.4
Inventories	41.5	45.6
Total current assets	4,431.5	3,770.3
Property and equipment, net (\$2,444.9 and \$516.0 attributable to our VIE)	13,457.4	13,237.9
Goodwill (\$447.7 and \$112.8 attributable to our VIE)	3,062.1	3,063.3
Intangible assets other than goodwill (\$309.6 and \$180.0 attributable to our VIE)	3,414.5	3,487.7
Investments in and advances to non-consolidated affiliates	175.5	176.8
Restricted cash (\$90.3 and \$231.6 attributable to our VIE)	1,847.1	336.8
Deferred income taxes (\$39.7 and \$0.0 attributable to our VIE)	43.7	—
Deferred charges and other (\$61.5 and \$11.0 attributable to our VIE)	630.9	604.2
Assets held for sale	6.7	11.9
	\$27,069.4	\$24,688.9
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable (\$165.4 and \$54.8 attributable to our VIE)	\$459.7	\$442.7
Accrued expenses and other current liabilities (\$198.3 and \$126.1 attributable to our VIE)	1,411.8	1,212.3
Interest payable (\$20.5 and \$5.5 attributable to our VIE)	379.8	389.5
Deferred income taxes (\$0.3 and \$0.0 attributable to our VIE)	315.3	289.2
Current portion of long-term debt (\$17.7 and \$47.8 attributable to our VIE)	148.3	197.1
Total current liabilities	2,714.9	2,530.8
Long-term debt (\$2,292.7 and \$673.9 attributable to our VIE)	24,209.5	20,918.4
Deferred income taxes (\$5.6 and \$3.8 attributable to our VIE)	2,278.9	2,476.0
Deferred credits and other (\$82.9 and \$67.3 attributable to our VIE)	444.5	667.5
	29,647.8	26,592.7
Commitments and contingencies (Note 14)		
Stockholders' deficit		
Common stock, voting: par value \$0.01; 144.2 and 139.0 shares	1.5	1.4
Treasury stock: 2.2 and 2.2 shares	(18.9	) (16.3
Additional paid-in capital	8,142.2	7,230.5
Accumulated deficit	(11,173.6	) (10,320.7
Accumulated other comprehensive loss	(16.0	) (16.9
Total Caesars stockholders' deficit	(3,064.8) (3,122.0
Noncontrolling interests	486.4	1,218.2

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Total deficit	(2,578.4) (1,903.8)
	\$27,069.4	\$24,688.9	

See accompanying Notes to Consolidated Condensed Financial Statements.

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CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Casino	\$1,378.3	\$1,404.3	\$2,715.6	\$2,867.9
Food and beverage	387.0	381.0	767.5	755.9
Rooms	315.0	317.3	629.2	601.3
Management fees	14.7	17.2	28.4	27.8
Other	305.3	212.4	559.0	414.0
Reimbursed management costs	71.8	70.5	134.2	130.2
Less: casino promotional allowances	(286.6)	(281.4)	(579.2)	(569.1)
Net revenues	2,185.5	2,121.3	4,254.7	4,228.0
Operating expenses				
Direct				
Casino	812.4	796.9	1,620.4	1,612.9
Food and beverage	177.9	167.0	337.7	330.1
Rooms	81.6	81.1	163.2	153.6
Property, general, administrative, and other	565.1	509.8	1,108.9	1,018.3
Reimbursable management costs	71.8	70.5	134.2	130.2
Depreciation and amortization	125.0	137.5	245.6	294.7
Write-downs, reserves, and project opening costs, net of recoveries	56.7	23.4	80.7	44.1
Impairment of intangible and tangible assets	32.9	104.7	65.8	124.7
Loss on interests in non-consolidated affiliates	6.6	13.8	2.8	16.4
Corporate expense	68.2	41.3	118.6	77.3
Acquisition and integration costs	47.2	2.2	62.1	66.4
Amortization of intangible assets	33.8	40.7	66.4	81.7
Total operating expenses	2,079.2	1,988.9	4,006.4	3,950.4
Income from operations	106.3	132.4	248.3	277.6
Interest expense	(653.7)	(540.0)	(1,245.9)	(1,114.7)
Gain/(loss) on early extinguishment of debt	(28.0)	41.3	(28.7)	4.6
Gain/(loss) on partial sale of subsidiary	(3.1)	44.1	(3.1)	44.1
Other income, including interest income	3.8	4.8	4.2	8.3
Loss from continuing operations, before income taxes	(574.7)	(317.4)	(1,025.2)	(780.1)
Income tax benefit	168.2	113.2	322.7	402.6
Loss from continuing operations, net of income taxes	(406.5)	(204.2)	(702.5)	(377.5)
Discontinued operations				
Loss from discontinued operations	(26.4)	(7.5)	(113.1)	(54.9)
Income tax benefit	—	2.5	—	6.2
Loss from discontinued operations, net of income taxes	(26.4)	(5.0)	(113.1)	(48.7)
Net loss	(432.9)	(209.2)	(815.6)	(426.2)
Less: net income attributable to noncontrolling interests	(33.5)	(3.0)	(37.3)	(3.9)
Net loss attributable to Caesars	\$(466.4)	\$(212.2)	\$(852.9)	\$(430.1)
Loss per share - basic and diluted				
Loss per share from continuing operations	\$(3.06)	\$(1.65)	\$(5.26)	\$(3.04)
Loss per share from discontinued operations	(0.18)	(0.04)	(0.80)	(0.39)
Net loss per share	\$(3.24)	\$(1.69)	\$(6.06)	\$(3.43)

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Weighted-average common shares outstanding - basic and diluted	144.1	125.5	140.7	125.4
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See accompanying Notes to Consolidated Condensed Financial Statements.

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CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(In millions)

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2013	
Net loss	\$ (432.9	)	\$ (209.2)
Other comprehensive income/(loss):				
Benefit plan adjustments	—		0.2	
Foreign currency translation adjustments	(1.0	)	(5.6)
Reclassification of loss on derivative instruments from other comprehensive loss to interest expense	—		—	
Unrealized gain/(loss) on available-for-sale investments	2.1		(4.8)
Total other comprehensive loss, before income taxes	1.1		(10.2)
Income tax benefit/(provision) related to items of other comprehensive loss	—		0.3	
Total other comprehensive loss, net of income taxes	1.1		(9.9)
Total comprehensive loss	(431.8	)	(219.1)
Less: amounts attributable to noncontrolling interests:				
Net income	(33.5	)	(3.0)
Foreign currency translation adjustments	(0.2	)	0.1	
Total amounts attributable to noncontrolling interests	(33.7	)	(2.9)
Comprehensive loss attributable to Caesars	\$ (465.5	)	\$ (222.0)
			\$ (856.3)
			\$ (452.9)

See accompanying Notes to Consolidated Condensed Financial Statements.

CAESARS ENTERTAINMENT CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
(UNAUDITED)
(In millions)

	Caesars Stockholders					Total		
	Common Stock	Treasury Stock	Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Caesars Stockholders' Equity/(Deficit)	Non-controlling Interests	Total Equity/(Deficit)
Balance as of December 31, 2012	\$ 1.3	\$(16.3)	\$6,954.4	\$(7,372.5)	\$ 21.4	\$(411.7)	\$ 80.1	\$(331.6)
Net income/(loss)	—	—	—	(430.1)	—	(430.1)	3.9	(426.2)
Share-based compensation	—	—	11.6	—	—	11.6	—	11.6
Common stock issuances	*	—	12.6	—	—	12.6	—	12.6
Issuances of common stock under* stock incentive plan	—	—	0.3	—	—	0.3	—	0.3
Increase in treasury shares	—	*	(0.1)	—	—	(0.1)	—	(0.1)
Decrease in noncontrolling interests including distributions and write-downs	—	—	—	—	—	—	(7.5)	(7.5)
Other comprehensive loss, net of tax	—	—	—	—	(22.8)	(22.8)	(0.1)	(22.9)
Purchase of additional interests in subsidiary	—	—	(9.6)	—	—	(9.6)	—	(9.6)
Contributions and contractual obligations from noncontrolling interests	—	—	—	—	—	—	35.3	35.3
Balance as of June 30, 2013	\$ 1.3	\$(16.3)	\$6,969.2	\$(7,802.6)	\$(1.4)	\$(849.8)	\$ 111.7	\$(738.1)
Balance as of December 31, 2013	\$ 1.4	\$(16.3)	\$7,230.5	\$(10,320.7)	\$(16.9)	\$(3,122.0)	\$ 1,218.2	\$(1,903.8)
Net income/(loss)	—	—	—	(852.9)	—	(852.9)	37.3	(815.6)
Share-based compensation	*	(2.6)	17.7	—	—	15.1	—	15.1
Common stock issuances	0.1	—	135.7	—	—	135.8	—	135.8
Issuances of common stock under	—	—	1.1	—	—	1.1	—	1.1

stock incentive plan								
Repurchase of subsidiary stock and noncontrolling interest transactions	—	—	3.4	—	—	3.4	(25.0	) (21.6
Other comprehensive loss, net of tax	—	—	—	—	(3.4	) (3.4	) —	(3.4
Allocation of noncontrolling interest resulting from sales and conveyances of subsidiary stock	—	—	753.8	—	4.3			