

CENTURY CASINOS INC /CO/
Form 10-K
March 10, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended

December 31, 2016

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 number 0-22900

CENTURY CASINOS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	84-1271317
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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455 E. Pikes Peak Ave, Suite 210, Colorado Springs, Colorado 80903

(Address of principal executive offices) (Zip Code)

(719) 527-8300

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 Per Share Par Value	NASDAQ Capital Market, Inc.

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

1

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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	Smaller reporting company
		(Do not check if a 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2016, based upon the closing price of \$6.23 for the Common Stock on the NASDAQ Capital Market on that date, was \$135,072,244. For purposes of this calculation only, executive officers and directors of the registrant are considered affiliates.

As of March 3, 2017, the registrant had 24,453,754 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference the registrant's definitive Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2016.

INDEX

Part I	Page
<u>Item 1.</u> Business.	4
<u>Item 1A</u> Risk Factors.	17
<u>Item 1B</u> Unresolved Staff Comments.	25
<u>Item 2.</u> Properties.	26
<u>Item 3.</u> Legal Proceedings.	27
<u>Item 4.</u> Mine Safety Disclosures.	28
Part II	
<u>Item 5.</u> Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	28
<u>Item 6.</u> Selected Financial Data.	30
<u>Item 7.</u> Management’s Discussion and Analysis of Financial Condition and Results of Operations.	34
<u>Item 7A</u> Quantitative and Qualitative Disclosures About Market Risk.	60
<u>Item 8.</u> Financial Statements and Supplementary Data.	60
<u>Item 9.</u> Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	60
<u>Item 9A</u> Controls and Procedures.	60
<u>Item 9B</u> Other Information.	63
Part III	
<u>Item 10.</u> Directors, Executive Officers and Corporate Governance.	63
<u>Item 11.</u> Executive Compensation.	63
<u>Item 12.</u> Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	63
<u>Item 13.</u> Certain Relationships and Related Transactions, and Director Independence.	64
<u>Item 14.</u> Principal Accountant Fees and Services.	64
Part IV	
<u>Item 15.</u> Exhibits and Financial Statement Schedules.	65
<u>Item 16.</u> Form 10-K Summary.	68
<u>Signatures</u>	69

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and the Private Securities Litigation Reform Act of 1995 and, as such, may involve risks and uncertainties. All statements included or incorporated by reference in this report, other than statements that are purely historical, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “could,” “potential,” “continue” or similar terminology. statements are based on the beliefs and assumptions of the management of the Company based on information currently available to management. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

The forward-looking statements included or incorporated by reference in this report are subject to additional risks and uncertainties further discussed under Item 1A. “Risk Factors” and are based on information available to us on the filing date of this report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. We assume no obligation to update any forward-looking statements.

PART I

As used in this report, the terms “Company,” “CCI,” “we,” “our,” or “us” refer to Century Casinos, Inc. and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.

This report includes amounts translated into U.S. dollars from certain foreign currencies. For a description of the currency conversion methodology and exchange rates used for certain transactions, see Note 2 to the Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this report. The following information should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Part II, Item 8, “Financial Statements and Supplementary Data” of this report.

Item 1. Business.

General

Century Casinos, Inc., a Delaware corporation founded in 1992, is an international casino entertainment company that develops and operates gaming establishments as well as related lodging, restaurant, horse racing (including off-track betting) and entertainment facilities around the world. Our main goal is to grow our business worldwide by actively pursuing the development or acquisition of new gaming opportunities and reinvesting in our existing operations.

Overview of Operations

We view each property as a separate operating segment and aggregate all such properties into three reportable segments based on the geographical locations in which our casinos operate. We have additional business activities, including concession, management and consulting agreements and certain other corporate and management operations that we report as Corporate and Other. The following are our reportable segments:

- Canada
- United States
- Poland
- Corporate and Other

Canada

Net operating revenue from our Canada segment was \$50.2 million, or 36%, of our total net operating revenue for the year ended December 31, 2016.

- Century Casino & Hotel – Edmonton, Alberta, Canada (“CRA” or “Edmonton”). We opened this wholly-owned casino in November 2006 and the attached hotel in March 2007. Edmonton is the capital of the Canadian province of Alberta, serving a metropolitan population of over one million people. The facility has 777 ticket in/ticket out (“TITO”) slot machines, 35 tables (including a 24-hour poker room) and 17 video lottery terminals. In addition, the property has 26 hotel rooms, a 10,700 square foot showroom that can seat approximately 450 customers, a 3,000 square foot showroom that can seat approximately 200 customers, where we host Yuk Yuks Comedy Club comedic performances, four restaurants, 600 surface parking spaces and an underground heated parking garage with 300 additional spaces.
- Century Casino St. Albert – Edmonton, Alberta, Canada (“CSA” or “St. Albert”). We acquired this wholly-owned casino in October 2016. St. Albert is located 13 miles from CRA. The casino includes 381 TITO slot machines, 11 tables and 12 video lottery terminals. In addition, the property has a restaurant, a bar, a lounge, a banquet facility and 517 surface parking spaces.
- Century Casino Calgary – Calgary, Alberta, Canada (“CAL” or “Calgary”). We acquired this wholly-owned casino in January 2010. Calgary is the largest city in the province of Alberta, serving a metropolitan population of over one million people. The casino includes 504 TITO slot machines, 16 tables, 25 video lottery terminals and a full service off-track betting parlor. In addition, the property has a restaurant, a lounge, a 1,000 square foot showroom that can seat approximately 100 customers, a 4,500 square foot showroom that can seat approximately 500 customers, an 18,000 square foot showroom that can seat approximately 1,000 customers, a 30-lane bowling alley, 536 owned surface parking spaces and 262 leased surface parking spaces neighboring the casino.
- Century Downs Racetrack and Casino – Calgary, Alberta, Canada (“CDR” or “Century Downs”). Our subsidiary Century Casinos Europe GmbH (“CCE”) owns 75% of United Horsemen of Alberta Inc. dba Century Downs Racetrack and Casino, which in turn owns and operates a Racing and Entertainment Center (“REC”). The REC, which opened in April 2015, is located 17 miles from CAL and 4.5 miles from the Calgary International Airport. The casino includes 550 TITO slot machines and seven video lottery terminals. In addition, the property has a 5.5 furlong (0.7 mile) racetrack, a bar, a lounge, a restaurant facility, an off-track betting area, an entertainment area and 700 surface parking spaces. The horse racing season runs from March through November. CDR is consolidated as a majority-owned subsidiary for which we have a controlling financial interest.
- Century Bets! Inc. – Calgary, Alberta, Canada (“CBS” or “Century Bets”). Our subsidiary CCE formed Century Bets! Inc. in January 2015 and owns 75% of its outstanding shares. CBS operates the southern Alberta pari-mutuel network consisting of the sourcing of common pool pari-mutuel wagering content for racetracks throughout North America and world-wide. CBS provides pari-mutuel wagering content and live video to 18 off-track betting parlors throughout southern Alberta and has agreements with over 90 racetracks worldwide to broadcast races through the off-track betting network. CBS is consolidated as a majority-owned subsidiary for which we have a controlling financial interest.

United States

Net operating revenue from our United States segment totaled \$30.1 million, or 22%, of our total net operating revenue for the year ended December 31, 2016.

- Century Casino & Hotel – Central City, Colorado (“CTL” or “Central City”). We opened this wholly-owned casino and hotel in July 2006, as part of a joint venture in which we owned a 65% interest. On December 31, 2007, we acquired the remaining 35% interest in the joint venture. Central City is located approximately 35 miles west of Denver, serving a metropolitan population of over 3.0 million people. Century Casino & Hotel is located in Central City at the end of the Central City Parkway, a four lane highway that connects I-70, the main east/west interstate highway in Colorado, to Central City. The facility has 497 TITO slot machines, eight tables, 26 hotel rooms, a bar, two restaurants and a 500 space on-site covered parking garage.
- Century Casino & Hotel – Cripple Creek, Colorado (“CRC” or “Cripple Creek”). We have owned and operated this wholly-owned casino and hotel since 1996. The town of Cripple Creek is located approximately 45 miles southwest of Colorado Springs, the second largest city in the state of Colorado, serving a metropolitan population of over 650,000 people. The facility has 446 TITO slot machines, six tables, 21 hotel rooms, two bars, a restaurant and 271 surface parking spaces neighboring the casino.

Poland

Net operating revenue from our Poland segment totaled \$54.9 million, or 39%, of our total net operating revenue for the year ended December 31, 2016.

- Casinos Poland – Poland (“CPL” or “Casinos Poland”). In March 2007, our subsidiary CCE acquired 33.3% of the outstanding shares of Casinos Poland Ltd. In April 2013, CCE increased its ownership interest in CPL to 66.6% and we began consolidating CPL as a majority-owned subsidiary for which we have a controlling financial interest.

CPL has been in operation since 1989 and is the owner and operator of eight casinos throughout Poland with a total of 495 slot machines and 75 tables. The following table summarizes the Polish cities in which CPL operated as of December 31, 2016, each casino’s location and the number of slots and tables at each casino.

City	Population	Location	Number of Slots	Number of Tables
Warsaw	1.7 million	Marriott Hotel	70	25
Warsaw	1.7 million	LIM Center	66	4

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Krakow	762,000	Dwor Kosciuszko Hotel	60	8
Lodz	730,000	Manufaktura Entertainment Complex	60	7
Wroclaw	635,000	HP Park Plaza Hotel	69	12
Poznan	550,000	Hotel Andersia	58	9
Sosnowiec*	215,000	Sosnowiec City Center	61	6
Plock	126,000			