
United States
Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2024
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. 0-22088



MONARCH CASINO & RESORT, INC .

(Exact name of registrant as specified in its charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	88-0300760 (I.R.S. Employer Identification No.)
3800 S. Virginia St. Reno , Nevada (Address of Principal Executive Offices)	89502 (ZIP Code)
Registrant's telephone number, including area code: (775) 335-4600	
N/A (Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	MCRI	The Nasdaq Stock Market LLC (Nasdaq-GS)

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 18,389,057 shares of common stock are outstanding as of November 4, 2024.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share data)
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenues				
Casino	\$ 76,307	\$ 73,818	\$ 216,720	\$ 209,578
Food and beverage	32,888	32,970	94,893	93,812
Hotel	21,642	20,608	58,147	54,173
Other	7,036	5,569	17,913	15,729
Net revenues	<u>137,873</u>	<u>132,965</u>	<u>387,673</u>	<u>373,292</u>
Operating expenses				
Casino	27,676	25,473	80,801	76,471
Food and beverage	23,938	23,330	70,002	68,070
Hotel	7,306	7,176	19,891	20,107
Other	3,171	2,820	9,005	8,549
Selling, general and administrative	27,177	27,091	80,449	77,162
Depreciation and amortization	13,103	12,197	37,994	35,152
Other operating items, net	225	2,976	931	3,012
Total operating expenses	<u>102,596</u>	<u>101,063</u>	<u>299,073</u>	<u>288,523</u>
Income from operations	<u>35,277</u>	<u>31,902</u>	<u>88,600</u>	<u>84,769</u>
Other income (expense)				
Interest expense, net	(145)	(369)	(349)	(1,736)
Income before income taxes	35,132	31,533	88,251	83,033
Provision for income taxes	(7,531)	(7,370)	(19,693)	(18,787)
Net income	<u>\$ 27,601</u>	<u>\$ 24,163</u>	<u>\$ 68,558</u>	<u>\$ 64,246</u>
Earnings per share of common stock				
Net income				
Basic	\$ 1.50	\$ 1.26	\$ 3.67	\$ 3.34
Diluted	\$ 1.47	\$ 1.23	\$ 3.60	\$ 3.27
Weighted average number of common shares and potential common shares outstanding				
Basic	18,404	19,252	18,681	19,237
Diluted	18,746	19,608	19,039	19,627

The Notes to the Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>		
	(Unaudited)			
ASSETS				
Current assets				
Cash and cash equivalents	\$ 39,380	\$ 43,361		
Receivables, net of provision for credit losses	11,892	11,990		
Income taxes receivable	49	1,006		
Inventories	7,659	7,614		
Prepaid expenses	9,354	10,995		
Total current assets	68,334	74,966		
Property and equipment, net	577,518	580,497		
Goodwill	25,111	25,111		
Intangible assets, net	177	299		
Total assets	<u>\$ 671,140</u>	<u>\$ 680,873</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Current maturities of long-term debt	\$ 7,000	\$ —		
Accounts payable	13,318	23,092		
Construction accounts payable	48,983	47,566		
Accrued expenses	49,853	51,812		
Short-term lease liability	945	897		
Total current liabilities	120,099	123,367		
Deferred income taxes	23,084	23,084		
Long-term lease liability	13,356	14,021		
Long-term debt	—	5,500		
Other long-term liability	1,321	1,761		
Total liabilities	<u>157,860</u>	<u>167,733</u>		
Stockholders' equity				
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued	—	—		
Common stock, \$.01 par value, 30,000,000 shares authorized; 19,296,464 shares issued and 18,368,473 outstanding at September 30, 2024; 19,154,031 shares issued and 19,091,497 outstanding at December 31, 2023	193	191		
Additional paid-in capital	57,174	48,821		
Treasury stock, 927,991 shares at September 30, 2024; 62,534 shares at December 31, 2023	(63,749)	(3,718)		
Retained earnings	519,662	467,846		
Total stockholders' equity	<u>513,280</u>	<u>513,140</u>		
Total liabilities and stockholders' equity	<u>\$ 671,140</u>	<u>\$ 680,873</u>		

The Notes to the Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 (In thousands, except shares, Unaudited)

	Common Stock		Additional			
	Shares Outstanding	Amount	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2024	19,091,497	\$ 191	\$ 48,821	\$ 467,846	\$ (3,718)	\$ 513,140
Exercise of stock options, net	20,247	1	969	—	—	970
Stock-based compensation expense	—	—	1,778	—	—	1,778
Purchase of company common stock	(281,708)	—	—	—	(19,574)	(19,574)
Dividend payment	—	—	—	(5,676)	—	(5,676)
Net income	—	—	—	18,275	—	18,275
Balance, March 31, 2024	18,830,036	\$ 192	\$ 51,568	\$ 480,445	\$ (23,292)	\$ 508,913
Exercise of stock options, net	32,099	—	1,333	—	—	1,333
Stock-based compensation expense	—	—	1,773	—	—	1,773
Purchase of company common stock	(452,464)	—	—	—	(30,781)	(30,781)
Dividend payment	—	—	—	(5,553)	—	(5,553)
Net income	—	—	—	22,682	—	22,682
Balance, June 30, 2024	18,409,671	\$ 192	\$ 54,674	\$ 497,574	\$ (54,073)	\$ 498,367
Exercise of stock options, net	90,087	1	462	—	—	463
Stock-based compensation expense	—	—	2,038	—	—	2,038
Purchase of company common stock	(131,285)	—	—	—	(9,676)	(9,676)
Dividend payment	—	—	—	(5,513)	—	(5,513)
Net income	—	—	—	27,601	—	27,601
Balance, September 30, 2024	18,368,473	\$ 193	\$ 57,174	\$ 519,662	\$ (63,749)	\$ 513,280

	Common Stock		Additional			
	Shares Outstanding	Amount	Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2023	19,093,676	\$ 191	\$ 40,716	\$ 498,217	\$ (170)	\$ 538,954
Exercise of stock options, net	37,965	—	808	—	108	916
Stock-based compensation expense	—	—	1,474	—	—	1,474
Dividend payment	—	—	—	(95,608)	—	(95,608)
Net income	—	—	—	17,670	—	17,670
Balance, March 31, 2023	19,131,641	\$ 191	\$ 42,998	\$ 420,279	\$ (62)	\$ 463,406
Exercise of stock options, net	11,703	—	396	—	62	458
Stock-based compensation expense	—	—	1,276	—	—	1,276
Dividend payment	—	—	—	(5,741)	—	(5,741)
Net income	—	—	—	22,413	—	22,413
Balance, June 30, 2023	19,143,344	\$ 191	\$ 44,670	\$ 436,951	\$ —	\$ 481,812
Exercise of stock options, net	5,347	—	70	—	—	70
Stock-based compensation expense	—	—	2,146	—	—	2,146
Dividend payment	—	—	—	(5,744)	—	(5,744)
Net income	—	—	—	24,163	—	24,163
Balance, September 30, 2023	19,148,691	\$ 191	\$ 46,886	\$ 455,370	\$ —	\$ 502,447

The Notes to the Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, Unaudited)

	<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income	\$ 68,558	\$ 64,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,994	35,152
Amortization of deferred loan costs	—	307
Stock-based compensation - stock options	5,589	4,896
Provision for bad debts	234	145
Loss on disposition of assets	268	88
Non-cash operating lease expense	23	30
Changes in operating assets and liabilities:		
Receivables	(136)	(1,546)
Income taxes receivable	957	22,298
Inventories	(45)	374
Prepaid expenses	1,641	609
Accounts payable	(9,774)	5,118
Accrued expenses	(2,399)	2,692
Net cash provided by operating activities	<u>102,910</u>	<u>134,409</u>
Cash flows from investing activities:		
Proceeds from sale of assets	73	97
Change in construction accounts payable	1,417	(2,554)
Acquisition of property and equipment	(35,872)	(32,164)
Net cash used in investing activities	<u>(34,382)</u>	<u>(34,621)</u>
Cash flows from financing activities:		
Payroll taxes from net exercise of stock options	(2,013)	(208)
Proceeds from exercise of stock options	4,777	1,652
	45,500	68,000
Line-of-credit borrowings		
Line-of-credit payments	(44,000)	(60,000)
Principal payments on long-term debt	—	(7,000)
Payment of dividends	(16,742)	(107,093)
Purchase of company common stock	(60,031)	—
Net cash used in financing activities	<u>(72,509)</u>	<u>(104,649)</u>
Change in cash and cash equivalents	(3,981)	(4,861)
Cash and cash equivalents at beginning of period	<u>43,361</u>	<u>38,779</u>
Cash and cash equivalents at end of period	<u>\$ 39,380</u>	<u>\$ 33,918</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 583	\$ 1,810
Cash paid for income taxes	\$ 18,740	\$ 20,306

The Notes to the Consolidated Financial Statements are an integral part of these statements.

MONARCH CASINO & RESORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

Monarch Casino & Resort, Inc. was incorporated in 1993. Unless otherwise indicated, "Monarch," "us," "we," and the "Company" refers to Monarch Casino & Resort, Inc. and its subsidiaries. Monarch owns and operates the Atlantis Casino Resort Spa, a hotel and casino in Reno, Nevada (the "Atlantis") and Monarch Casino Resort Spa Black Hawk, a hotel and casino in Black Hawk, Colorado (the "Monarch Black Hawk"). In addition, Monarch owns separate parcels of land located next to the Atlantis and a parcel of land with an industrial warehouse located between Denver, Colorado and Monarch Black Hawk. Monarch also owns Chicago Dogs Eatery, Inc. and Monarch Promotional Association, both of which were formed in relation to licensure requirements for extended hours of liquor operation in Black Hawk, Colorado.

The accompanying unaudited consolidated financial statements include the accounts of Monarch and its subsidiaries (the "Consolidated Financial Statements"). Intercompany balances and transactions are eliminated.

Interim Financial Statements:

The Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the management of the Company, all adjustments considered necessary for a fair presentation, consisting of normal recurring accruals, are reflected in the interim financial statements. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

The balance sheet at December 31, 2023, has been derived from the audited consolidated financial statements of the Company at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2023.

Segment Reporting:

The accounting guidance for disclosures about segments of an enterprise and related information requires separate financial information to be disclosed for all operating segments of a business. The Company determined that the Company's two operating segments, Atlantis and Monarch Black Hawk, meet the aggregation criteria stipulated by Accounting Standards Codification ("ASC") 280-10-50-11. The Company views each property as an operating segment and the two operating segments have been aggregated into one reporting segment.

Concentrations of Credit Risk and Credit Losses:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of bank deposits and trade receivables.

The Company accounts for credit losses in accordance with Accounting Standards Update ("ASU") 2016-13 using a forward-looking expected loss model.

The Company maintains its surplus cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

The Company extends short-term credit to its gaming customers. Such credit is non-interest bearing and is due on demand. In addition, the Company also has receivables due from hotel guests and convention groups and events, which are primarily secured with a credit card. An allowance for current expected credit losses is determined to reduce the Company's receivables to their carrying value, which approximates fair value. The allowance is estimated based on historical collection experience, specific review of individual customer accounts, current economic and business conditions and management's expectations of future economic and business conditions. The allowance is applied even when the risk of credit loss is remote. When a situation warrants, the Company may create a specific identification reserve for high collection risk receivables. The Company writes off its uncollectible receivables once all efforts have been made to collect such receivables. Recoveries of accounts previously written off are recorded when received. Concentrations of credit risk with respect to gaming and non-gaming receivables are limited due to the large number of customers comprising the Company's customer base. Historically, the Company has not incurred any significant credit-related losses.

As of September 30, 2024, the Company has recorded a reserve of \$ 0.3 million for gaming and non-gaming receivables.

The Company believes it is not exposed to any significant credit risk on cash and accounts receivable.

Inventories:

Inventories, consisting primarily of food, beverages, and retail merchandise, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average and specific identification methods. Net realizable value is defined by the Financial Accounting Standards Board ("FASB") as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Property and Equipment, net:

Property and equipment, net consists of the following (in thousands):

	September 30, 2024	December 31, 2023
Land	\$ 34,688	\$ 34,688
Land improvements	11,082	11,045
Buildings	474,724	474,724
Building improvements	119,705	100,822
Furniture and equipment	246,375	254,486
Construction in progress	15,138	9,552
Right of use assets	14,234	14,874
Leasehold improvements	4,245	4,245
	920,191	904,436
Less accumulated depreciation and amortization	(342,673)	(323,939)
Property and equipment, net	<u>\$ 577,518</u>	<u>\$ 580,497</u>

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment is depreciated principally on a straight-line basis over its estimated useful lives as follows:

Land improvements	15 - 40 years
Buildings	30 - 40 years
Building improvements	5 - 40 years
Leasehold improvements	5 - 40 years
Furniture	5 - 10 years
Equipment	3 - 20 years

The Company evaluates property and equipment and other long-lived assets for impairment in accordance with the guidance for accounting for the impairment or disposal of long-lived assets.

For assets to be disposed of, the Company recognizes the asset to be sold at the lower of carrying value or fair value less costs of disposal. Fair value for assets to be disposed of is generally estimated based on comparable asset sales, solicited offers or a discounted cash flow model.

For assets to be held and used, the Company reviews fixed assets for impairment indicators at the end of the fiscal year and whenever indicators of impairment exist. If an indicator of impairment exists, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, the impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model or market comparable, when available. For the nine-month periods ended September 30, 2024 and 2023, respectively, there were no impairment charges.

Goodwill:

The Company accounts for goodwill in accordance with ASC Topic 350, Intangibles-Goodwill and Other ("ASC Topic 350"). ASC Topic 350 gives companies the option to perform a qualitative assessment that may allow them to skip the quantitative test as appropriate. The Company tests its goodwill for impairment annually during the fourth quarter, or whenever events or circumstances make it more likely than not that impairment may have occurred. Impairment testing for goodwill is performed at the reporting unit level, and each of the Company's casino properties is considered to be a reporting unit.

As of September 30, 2024, we had goodwill totaling \$ 25.1 million related to the purchase of Monarch Black Hawk, Inc.

ASC Topic 350 requires that goodwill be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We performed an assessment to determine whether events or circumstances such as those described in ASC 350-20-35-3C existed and we determined that they did not exist during the interim period; therefore, an interim impairment test was not performed.

Revenue Recognition:

The majority of the Company's revenue is recognized when products are delivered or services are performed. For certain revenue transactions (when a patron uses a club loyalty card), in accordance with ASU No. 2014-09 ("ASC 606"), a portion of the revenue is deferred until the points earned by the patron are redeemed or expire.

Casino revenue: Casino revenues represent the net win from gaming activity, which is the difference between the amounts won and lost, which represents the transaction price. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. Funds deposited by customers in advance and outstanding chips and slot tickets in the customers' possession are recognized as a liability until such amounts are redeemed or used in gaming play by the customer. Additionally, net win is reduced by the performance obligations for the players' club program, progressive jackpots and any pre-arranged marker discounts. Progressive jackpot provisions are recognized in two components: 1) as wagers are made for the share of players' wagers that are contributed to the progressive jackpot award, and 2) as jackpots are won for the portion of the progressive jackpot award contributed by the Company. Cash discounts and other cash incentives to guests related to gaming play are recorded as a reduction to gaming revenue.

Players' Club Program: The Company operates a players' club program under which as players perform gaming activities they earn and accumulate points, which may be redeemed for a variety of goods and services. Given the significance of the players' club program and the ability for members to bank such points based on their past play, the Company has determined that players' club program points granted in conjunction with gaming activity constitute a material right and, as such, represent a performance obligation associated with the gaming contracts. At the time points are earned, the Company recognizes deferred revenue at the standalone selling prices ("SSP") of the goods and services that the points are expected to be redeemed for, with a corresponding decrease in gaming revenue. The points estimated SSP is computed as the cash redemption value of the points expected to be redeemed, which is determined through an analysis of all redemption activity over the preceding twelve-month period.

As of September 30, 2024, the Company had estimated the obligations related to the players' club program at \$ 8.5 million, which is included in Accrued Expenses in the Liabilities and Stockholders' Equity section in the Consolidated Balance Sheet.

Food and Beverage, Hotel and Other (retail) Revenues: Food and Beverage, Hotel and Other Revenues in general are recognized when products are delivered or services are performed. The Company recognizes revenue related to the products and services associated with the players points' redemptions at the time products are delivered or services are performed, with corresponding reduction in the deferred revenue, at SSP. Other complimentaries in conjunction with the gaming and other business are also valued at SSP. Hotel revenue is presented net of non-third-party rebates and commissions. The cost of providing these complimentary goods and services are included as expenses within their respective categories.

Other Revenues: Other revenues (excluding retail) primarily consist of commissions received on ATM transactions and cash advances, which are recorded on a net basis as the Company represents the agent in its relationship with the third-party service providers, and commissions and fees received in connection with pari-mutuel wagering, which are also recorded on a net basis.

Sales and other taxes: Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in revenues or operating expenses. In addition, tips and other gratuities, excluding service charges, collected from customers on behalf of the Company's employees are also accounted for on a net basis and are not included in revenues or operating expenses.

Other Operating items, net:

Other operating items, net, in general consist of miscellaneous operating charges or proceeds.

For the three months ended September 30, 2024, Other operating items, net, was \$ 0.2 million and primarily represents loss on disposal of assets. For the three months ended September 30, 2023, Other operating items, net, was \$ 3.0 million and primarily represents professional service fees relating to our construction litigation.

For the nine months ended September 30, 2024, Other operating items, net, was \$ 0.9 million and consisted of \$ 0.6 million professional service fees relating to our construction litigation and \$ 0.3 million loss on disposal of assets. For the nine months ended September 30, 2023, Other operating items, net, was \$ 3.0 million and consisted of \$ 4.1 million of professional service fees relating to our construction litigation and \$ 0.1 million loss on disposal of assets, offset by \$ 1.2 million net proceeds from a sale of a COVID closure related insurance claim.

Impact of Recently Adopted Accounting Standards:

Segment Reporting - Improvements to Reportable Segment Disclosures: In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No.2023-07, Segment Reporting Topic 280. Under ASC 280 a public entity is required to disclose a measure of segment's profit or loss, used by the chief operating decision maker to assess segment performance and make decisions about allocation of resources. In addition to segment's revenue and measure for profit or loss, the standard requires enhanced disclosures of significant segment expenses. The amendments provide new segment disclosure requirements for entities with a single reportable segment. This guidance is effective for annual reporting periods beginning after December 15, 2023, and interim reporting periods after December 15, 2024. Early adoption is permitted and retrospective application is required for all periods presented. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

Income Tax—Improvements to Income Tax Disclosures: In December 2023, the FASB issued ASU No. 2023-09, Income Taxes Topic 740, which requires enhanced disclosures, including specific categories and disaggregation of information in the effective tax rate reconciliation, disaggregated information related to income taxes paid, income or loss from continuing operations before income tax expense or benefit, and income tax expense or benefit from continuing operations. This guidance is effective for annual reporting periods beginning after December 15, 2024. Early adoption is permitted and should be applied on a prospective basis, however retrospective application is permitted. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

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A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, the implementation of any such proposed or revised standards would have on the Company's Consolidated Financial Statements.

NOTE 2. ACCOUNTING FOR LEASES

For operating leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the lease term. Certain of the Company's leases include rental escalation clauses, renewal options and/or termination options that are factored into its determination of lease payments when appropriate. As permitted by ASC 842, the Company elected not to separate non-lease components from their related lease components.

As of September 30, 2024, the Company's right of use assets consisted of the Parking Lot Lease, the Driveway Lease (each as defined and discussed in NOTE 5. RELATED PARTY TRANSACTIONS), as well as certain billboard leases.

The weighted-average incremental borrowing rate of the leases presented in the lease liability as of September 30, 2024, was 4.34 %. There were no new leases entered into in the third quarter of 2024.

The weighted-average remaining lease term of the leases presented in the lease liability as of September 30, 2024, was 16.65 years.

Cash paid related to the operating leases presented in the lease liability for each of the nine months ended September 30, 2024 and 2023, was \$ 1.1 million.

NOTE 3. STOCK-BASED COMPENSATION

In accordance with ASC 718, the Company records any excess tax benefits or deficiencies from its equity awards in its Consolidated Statements of Income in the reporting periods in which vesting occurs. As a result, the Company's income tax expense and associated effective tax rate are impacted by fluctuations in stock price between the grant dates and vesting dates of equity awards.

Reported stock-based compensation expense was classified as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Casino	\$ 135	\$ 111	\$ 394	\$ 262
Food and beverage	60	59	101	88
Hotel	88	80	219	213
Selling, general and administrative	1,755	1,896	4,875	4,333
Total stock-based compensation, before taxes	2,038	2,146	5,589	4,896
Tax benefit	(428)	(450)	(1,173)	(1,028)
Total stock-based compensation, net of tax	<u>\$ 1,610</u>	<u>\$ 1,696</u>	<u>\$ 4,416</u>	<u>\$ 3,868</u>

NOTE 4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing reported net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect the additional dilution for all potentially dilutive securities such as stock options. The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations (shares in thousands):

Three months ended September 30,				
	2024	2023		
	Shares	Per Share	Shares	Per Share
Basic	18,404	\$ 1.50	19,252	\$ 1.26
Effect of dilutive stock options	342	(0.03)	356	(0.03)
Diluted	18,746	\$ 1.47	19,608	\$ 1.23

Nine months ended September 30,				
	2024	2023		
	Shares	Per Share	Shares	Per Share
Basic	18,681	\$ 3.67	19,237	\$ 3.34
Effect of dilutive stock options	358	(0.07)	390	(0.07)
Diluted	19,039	\$ 3.60	19,627	\$ 3.27

Excluded from the computation of diluted earnings per share are options where the exercise prices are greater than the weighted assumed proceeds per share as their effects would be anti-dilutive in the computation of diluted earnings per share. For the three months ended September 30, 2024 and 2023, options for approximately 905 thousand and 749 thousand shares, respectively, were excluded from the computation. For the nine months ended September 30, 2024 and 2023, options for approximately 910 thousand and 617 thousand shares, respectively, were excluded from the computation.

NOTE 5. RELATED PARTY TRANSACTIONS

The shopping center adjacent to the Atlantis (the "Shopping Center") is owned by Biggest Little Investments, L.P. ("BLI"). John Farahi and Bob Farahi, Co-Chairmen of the Board and executive officers of the Company, and Ben Farahi have significant holdings (the "Farahi Family Stockholders") in Monarch and each also beneficially owns limited partnership interests in BLI. Maxum LLC is the sole general partner of BLI, and Ben Farahi is the sole managing member of Maxum LLC. Neither John Farahi nor Bob Farahi has any management or operational control over BLI or the Shopping Center. Until May 2006, Ben Farahi held the positions of Co-Chairman of the Board, Secretary, Treasurer and Chief Financial Officer of the Company.

On August 28, 2015, Monarch, through its subsidiary Golden Road Motor Inn, Inc., entered into a 20-year lease agreement with BLI for a portion of the Shopping Center (the "Parking Lot Lease"). This lease gives the Atlantis the right to use a parcel, approximately 4.2 acres, adjacent to the Atlantis. The primary purpose of the Parking Lot Lease is to provide additional, convenient, Atlantis surface parking. The minimum annual rent under the Parking Lot Lease is \$ 695 thousand commencing on November 17, 2015. The minimum annual rent is subject to a cost of living adjustment increase on each five-year anniversary. In addition, the Company is responsible for the payment of property taxes, utilities and maintenance expenses related to the leased property. The Company has an option to renew the Parking Lot Lease for an additional ten-year term. If the Company elects not to exercise its renewal option, the Company will be obligated to pay BLI \$ 1.6 million. For each of the three-month periods ended September 30, 2024 and 2023, the Company paid \$ 187 thousand in rent, plus \$ 17 thousand and \$8 thousands, respectively, in operating expenses relating to this lease. For each of the nine-month periods ended September 30, 2024 and 2023, the Company paid \$ 561 thousand in rent, plus \$ 26 thousand and \$17 thousand, respectively, in operating expenses relating to this lease. The right of use asset and lease liability balances as of September 30, 2024, recognized in the Consolidated Balance Sheet, was \$ 9.5 million.

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In addition, the Atlantis shares a driveway with the Shopping Center and leases approximately 37,400 square feet from BLI (the "Driveway Lease") for an initial lease term of 15 years, which commenced on September 30, 2004, at an original annual rent of \$ 300 thousand plus common area expenses. The annual rent is subject to a cost of living adjustment increase on each five-year anniversary of the Driveway Lease. Effective August 28, 2015, in connection with the Company entering into the Parking Lot Lease, the Driveway Lease was amended to: (i) make the Company solely responsible for the operation and maintenance costs of the shared driveway (including the fountains thereon); (ii) eliminate the Company's obligation to reimburse the Shopping Center for its proportionate share of common area expenses; and (iii) exercise the three successive five-year renewal terms beyond the initial 15-year term in the existing Driveway Lease. At the end of the renewal terms, the Company has the option to purchase the leased driveway section of the Shopping Center. For each of the three-month periods ended September 30, 2024 and 2023, the Company paid \$ 101 thousand in rent plus \$ 16 thousand and \$ 14 thousand, respectively, in operating expenses relating to this lease. For each of the nine-month periods ended September 30, 2024 and 2023, the Company paid \$ 303 thousand in rent plus \$ 40 thousand and \$ 35 thousand, respectively, in operating expenses relating to this lease. The right of use asset and lease liability balances as of September 30, 2024, recognized in the Consolidated Balance Sheet, was \$ 3.1 million.

The Company occasionally leases billboard advertising, storage space and parking lot space from affiliates controlled by the Farahi Family Stockholders, and paid \$ 118 thousand and \$ 104 thousand, respectively, for the three-month periods ended September 30, 2024 and 2023, and \$ 375 thousand and \$ 373 thousand, respectively, for the nine-month periods ended September 30, 2024 and 2023, for such leases.

NOTE 6. LONG-TERM DEBT

On February 1, 2023, the Company entered into the Fifth Amended and Restated Credit Agreement (the "Amended Credit Facility") with Wells Fargo Bank, N.A., as administrative agent. The Amended Credit Facility provides for a \$ 100 million line of credit which matures on January 1, 2025.

As of September 30, 2024, the Company had an outstanding principal balance of \$ 7.0 million under the Amended Credit Facility.

In addition to other customary covenants for a facility of this nature, as of September 30, 2024, the Company is required to maintain a Total Leverage Ratio (as defined in the Amended Credit Facility) of no more than 2.5 :1 and Fixed Charge Coverage Ratio (as defined in the Amended Credit Facility) of at least 1.1 :1. As of September 30, 2024, the Company's Total Leverage Ratio and Fixed Charge Coverage Ratio were 0.04:1 and 109.52:1, respectively.

The interest rate under the Amended Credit Facility is SOFR (the Secured Overnight Financing Rate) plus a margin ranging from 1.00 % to 1.50 %, or a base rate (as defined in the Amended Credit Facility) plus a margin ranging from 0.00 % to 0.50 %. The applicable margins vary depending on the Company's leverage ratio. In addition, SOFR-based loans will incur a 0.10 % credit adjustment spread due to the conversion from LIBOR to SOFR as the new benchmark rate. As of September 30, 2024, the interest rate was approximately 6.2 %, or SOFR plus a 1.00 % margin.

The Company's obligations under the Amended Credit Facility are secured by substantially all of the Company's assets.

NOTE 7. TAXES

For the nine months ended September 30, 2024 and 2023, the Company's effective tax rate was 22.3 % and 22.6 %, respectively.

Deferred tax assets were evaluated by considering historical levels of income, estimates of future taxable income and the impact of tax planning strategies.

No uncertain tax positions were recorded as of September 30, 2024 and 2023. No change in uncertain tax positions is anticipated over the next twelve months.

NOTE 8. STOCK REPURCHASE PLAN

On October 22, 2014, the board of directors of Monarch authorized a stock repurchase plan (the "Repurchase Plan"). Under the Repurchase Plan, the board of directors authorized a program to repurchase up to 3,000,000 shares of the Company's common stock in the open market or in privately negotiated transactions from time to time, in compliance with Rule 10b-18 of the Securities and Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements and other factors. The Repurchase Plan does not obligate the Company to acquire any particular amount of common stock and the plan may be suspended at any time at the Company's discretion, and it will continue until exhausted. The actual timing, number and value of shares repurchased under the repurchase program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market economic conditions and applicable legal requirements.

In the third quarter of 2024, the Company purchased 131,285 shares of its common stock on the open market for an aggregate amount of \$ 9.6 million under its existing Repurchase Plan. As of September 30, 2024, we have an authorization to purchase up to 1,950,040 shares under the Repurchase Plan.

NOTE 9. LEGAL MATTERS

On August 30, 2019, PCL Construction Services, Inc. ("PCL") filed a complaint in District Court, City and County of Denver, Colorado, against the Company and its Colorado subsidiaries, in connection with the Company's now completed expansion of the Monarch Casino Resort Spa Black Hawk (the "Project"). The case is captioned *PCL Construction Services, Inc. v. Monarch Growth Inc., et al.*, Case No. 2019CV33368 (the "First Denver Lawsuit"). The complaint alleges, among other things, that the defendants breached the construction contract with PCL and certain implied warranties. On December 5, 2019, the Company filed its answer and counterclaim, which alleges, among other items, that PCL breached the construction contract, duties of good faith and fair dealing, and implied and express warranties, made fraudulent or negligent misrepresentations on which the Company and its Colorado subsidiaries relied, and included claims for monetary damages as well as equitable and declaratory relief.

On September 5, 2023, trial commenced in the First Denver Lawsuit in the District Court for the City and County of Denver, Colorado. The bench trial concluded on November 22, 2023, after 28 total court days. PCL and the Company each submitted proposed Findings of Fact, Conclusions of Law and Order for the Court's consideration on February 7, 2024. The Parties are awaiting a decision by the Court, and we remain unable to determine the probability of the outcome or reasonably estimate the loss or gain, if any, or determine when the court will resolve the claims the parties tried.

Prior to the trial of the First Denver Lawsuit, on March 26, 2021, PCL filed a mechanics' lien foreclosure action in the District Court, County of Gilpin, Colorado, against the Company and its Colorado subsidiaries, also in connection with the Project. The case is captioned *PCL Construction Services, Inc., v. Monarch Growth Inc., et al.*, Case No. 2021CV30006 (the "Gilpin Lawsuit"). The complaint essentially mirrors the claims and allegations made by PCL in the First Denver Lawsuit, as described above. The Gilpin Lawsuit includes an additional claim, however, for foreclosure of PCL's purported mechanics' lien against the property on which the Monarch Casino Resort Spa Black Hawk is situated (the "Property"). PCL also joined additional parties who may claim a purported lien against the Property, as defendants. Effective May 10, 2021, PCL filed its second amended complaint, joining more such parties as defendants. Many of the Company's co-defendants have filed cross claims against Monarch for foreclosure of their own mechanics' liens and related claims, including unjust enrichment.

Monarch filed its answer and counterclaims to PCL's second amended complaint in the Gilpin Lawsuit on July 15, 2021, but a trial of the matter has not been set. Monarch has also filed answers to all cross claims due to date, denying the claimants' rights to relief. Monarch anticipates filing further answers to additional cross claims, also denying the claimants' rights to relief. The case remains stayed, however, pending the outcome of the First Denver Lawsuit, Case No. 2019CV33368. We are currently unable to determine the probability of the outcome or reasonably estimate the loss or gain, if any.

On February 9, 2023, Monarch Growth, Inc., Monarch Casino & Resort, Inc., and Monarch Black Hawk, Inc. filed a complaint in District Court, City and County of Denver, Colorado, against PCL, in connection with the Project. The case is captioned *Monarch Growth Inc., et al., v. PCL Construction Services, Inc.*, Case No. 2023CV30458 (the “Second Denver Lawsuit”). The complaint alleges, among other things, that PCL breached the construction contract, duties of good faith and fair dealing, and implied and express warranties based on defective and/or nonconforming construction work at the project, and includes claims for monetary damages as well as equitable and declaratory relief. Monarch alleges that the claims asserted in the Second Denver Lawsuit were neither known nor reasonably discoverable in time to be included in the First Denver Lawsuit.

On March 26, 2024, the Court set the Second Denver Lawsuit for a seven-day bench trial to commence on April 7, 2025. The parties are conducting discovery, and we are currently unable to determine the probability of the outcome or reasonably estimate the loss or gain, if any.

The Company recognized \$ 0.6 million and \$ 4.1 million in construction litigation expense relating to these lawsuits for the nine months ended September 30, 2024 and 2023, respectively, which is included in Other operating items, net on the Consolidated Statements of Income.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. Management believes that the amount of any reasonably possible or probable loss for such other known matters would not have a material adverse impact on our financial conditions, cash flows or results of operations; however, the outcome of these actions is inherently difficult to predict.

NOTE 10. DIVIDENDS

On February 7, 2023 , the Company announced that the Company's Board of Directors declared a one-time cash dividend (the “One-time Dividend”) of \$ 5.00 per share of its outstanding common stock, par value \$ 0.01 per share (“Common Stock”), paid to the stockholders of record of the Company on March 1, 2023 (the “Record Date”), payable on March 15, 2023 (the “Payment Date”).

In addition to the One-time Dividend, the Board of Directors approved the initiation of an Annual Dividend policy for the payment of an annual dividend in the amount of \$ 1.20 per outstanding share of Common Stock, commencing in the second quarter of 2023. These dividends will be paid quarterly on the 15th day of the third month of the applicable calendar quarter (or, if such date is not a trading day, then the first trading day immediately thereafter such date) to those stockholders of record on the 1st day of the third month of the applicable calendar quarter (or, if such date is not a trading day, then the first trading day immediately thereafter such date).

On September 15, 2024 , the Company paid a cash dividend of \$ 0.30 per share of its outstanding common stock, to stockholders of record on September 1, 2024 . For the nine months ended September 30, 2024, the Company paid total of \$ 0.90 per share cash dividend. The cash dividend was part of the previously announced annual cash dividend of \$ 1.20 per share payable in quarterly payments.

On October 23, 2024 , the Company announced a cash dividend of \$ 0.30 per share of its outstanding common stock, payable on December 15, 2024 , to stockholders of record on December 1, 2024 . This cash dividend is part of the previously announced annual cash dividend of \$ 1.20 per share payable in quarterly payments.

The Company's declaration of each cash dividend amount shall be subject to the Board's review of the then-current financial statements of the Company, available acquisition opportunities and other prudent uses of the Company's cash resources. As such, the Board of Directors may suspend the dividend program at any time and no assurances can be given that a quarterly dividend will be paid.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, "Monarch," "Company," "we," "our," and "us" refer to Monarch Casino & Resort, Inc. and its subsidiaries.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "believes," "expects," "anticipates," "estimates," "plans," "intends," "objectives," "goals," "aims," "projects," "forecasts," "possible," "seeks," "may," "will," "could," "should," "might," "likely," "enable," or similar words or expressions, as well as statements containing phrases such as "in our view," or "we cannot assure you," "although no assurance can be given." Examples of forward-looking statements include, among others, statements we make regarding: (i) our belief regarding the exposure of our cash and accounts receivable to credit risk; (ii) our beliefs regarding the quality of our work product and guest service and our ability to capture additional market share in the high-end segment of the market; (iii) our beliefs regarding the quality of our properties as key factors in each of their long-term success; (iv) our expectations regarding the employment growth in the Reno market, the tight labor market (including wage inflation) and its effect on our business at Atlantis; (v) our expectations and intentions regarding the expenses, defenses and outcomes of the lawsuits filed by the construction project general contractor against us and our counterclaims and separate lawsuit against the contractor; (vi) our expectations regarding our business prospects, strategies, estimates and outlook; (vii) our expectations regarding the positioning of our properties to benefit from future macro and local economic growth; (viii) our expectations regarding future capital requirements; (ix) our anticipated sources of funds and adequacy of such funds to meet our debt obligations and capital requirements; and (x) our expectations regarding legal and other matters.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the impact of the events occurring in the Middle East and the conflict taking place in Israel, as well as those risks discussed in Part I, Item 1A-Risk Factors and throughout Part II, Item 7-Management's Discussion and Analysis of Financial Condition and Results of our Annual Report on Form 10-K for the year ended December 31, 2023, and in Part II, Item 1A-Risk Factors and elsewhere of this Form 10-Q. In addition, you should consult other disclosures made by us (such as in our other filings with the Securities and Exchange Commission ("SEC") or in Company press releases) for other factors that may cause actual results to differ materially from those projected by us. You should read this Form 10-Q, and the documents that we reference in this Form 10-Q and have filed with the SEC, and our Annual Report on Form 10-K for the year ended December 31, 2023, with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

Any forward-looking statement made by us in this Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions, except as required by law. New risks emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements.

OVERVIEW

Monarch was incorporated in the state of Nevada in 1993. We own and operate the Atlantis Casino Resort Spa, a hotel and casino in Reno, Nevada (the "Atlantis") and Monarch Casino Resort Spa Black Hawk (the "Monarch Black Hawk"), a casino in Black Hawk, Colorado. In addition, we own separate parcels of land located next to the Atlantis and a parcel of land with an industrial warehouse located between Denver, Colorado and Monarch Black Hawk.

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We earn revenues, operating income and cash flow from Atlantis and Monarch Black Hawk, primarily through our casino, food and beverage, and hotel operations. We focus on delivering exceptional service and value to our guests. Our hands-on management style focuses on customer services and cost efficiencies.

Atlantis: We continuously upgrade our property. With quality gaming, hotel and dining products, we believe the Atlantis is well positioned to benefit from future macro and local economic growth. Reno remains a healthy local-oriented market, but at the same time a very competitive market. The market's employment growth is broad based and we expect this positive indicator will support the continued strength of our business at Atlantis. At the same time, the tight employment environment has created labor challenges, including wage inflation, which we continue to actively manage. In addition, we are facing increased competition from the continued growth of California tribal gaming and an extremely competitive promotional environment in Northern Nevada. The increase in the labor costs and the other inflationary pressures, combined with continued aggressive marketing programs by our competitors, has applied pressure on Atlantis' revenue growth, operating costs and profit margins.

Monarch Black Hawk: Monarch Black Hawk is the first property encountered by visitors arriving from Denver and other major population centers via Colorado State Highway 119. The Denver metro economy remains strong with higher than the national average per capita personal income. At the beginning of 2022, we completed the master planned renovation and expansion, transforming the property into a world-class resort. Monarch Black Hawk is positioned to leverage the expanded operation, the elimination of betting limits and new game types in Black Hawk, Colorado, as well as to benefit from the growing state-wide online and retail sports betting. Monarch Black Hawk also is experiencing labor challenges, resulting from the distance to the staffing filter markets of Golden, Colorado and the Denver Metro area. We continue to attract high-value players from across Colorado's Front Range, who had previously traveled to other markets, such as Las Vegas, for a high-end casino entertainment experience. We believe that the quality of our expanded product and exceptional guest service will meet the demand of the high-end segment of the market and will grow revenue and accelerate market share.

KEY PERFORMANCE INDICATORS

We use the following Key Performance Indicators ("KPI") to manage our operation and measure our performance:

Gaming revenue KPI: Our management reviews on a consistent basis the volume metrics and hold percentage metrics for each gaming area. The main volume measurements are slot coin-in, table games drop, sportsbook write and keno write. Slot coin-in represents the dollar amount wagered in slot machines, including free promotional wagers. Table games drop represents the total amount of cash and net markers deposited in the table drop box. Keno write and sportsbook write represents the dollar amount wagered at our counters, along with sportsbook write made through our mobile wagering system. Volume metrics are important in managing the business, as our gaming win is affected by actual hold percentage, which in general varies from the expected hold percentage and historical hold percentage. Gaming win represents the amount of wagers retained by us. Hold percentage represents win as a percentage of slot coin-in, table game drop, sportsbook write, or keno write. Our win and hold percentages are calculated before discounts, commissions, deferring revenue associated with our loyalty programs and allocating casino revenues related to goods and services provided to patrons on a complimentary basis.

Food and Beverage revenue KPI: The main KPIs in managing our food and beverage ("F&B") operations are covers and average revenue per cover. A cover represents the number of guests served and is an indicator of volume. Average revenue per cover represents the average amount spent per food and beverage outlets' served guests. Changes in the average revenue per cover might be an indicator for changes in menu offerings, changes in menu prices or may indicate changes in our guests' preferences and purchasing habits.

Hotel revenue KPI: The main KPIs used in managing our hotel operation are the occupancy rate (a volume indicator), which is the average percentage of available hotel rooms occupied during a period, and the average daily rate ("ADR", a price indicator), which is the average price per sold room. Available rooms exclude those rooms unavailable for occupancy during the period due to renovation, development, or other requirements. Sold rooms include rooms where the guests do not show up for their stay and lose their deposit. The calculations of the occupancy rate and ADR include the impact of rooms provided on a complimentary basis. Revenue per available room ("RevPAR") represents total hotel revenue per available room and is a representation of the occupancy rate, ADR and miscellaneous hotel sales.

Operating margins: Our management is consistently focused on controlling expenses and finding cost savings, without affecting the quality of the product we offer and our guests' services and experience. We measure our performance using expense margin, which is a percentage of direct expenses, including labor, cost of product and any other operating expenses related to the gaming, food and beverage, or hotel operation to the net gaming, food and beverage, or hotel revenues. Selling, general and administrative ("SG&A") margin represents SG&A expenses for a period as a percentage of total net revenue for a period. In managing the food and beverage operation, we use Cost Of Goods Sold ("COGS") percentage, which represents a percentage of product cost to the food and beverage revenue and is a measurement of commodity prices and menu sales prices.

Our management evaluates the KPI as compared to prior periods, the peer group, or market, as well as for any trends.

RESULTS OF OPERATIONS

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2024 and 2023

For the three months ended September 30, 2024, our net income totaled \$27.6 million, or \$1.47 per diluted share, compared to net income of \$24.2 million, or \$1.23 per diluted share for the same period in 2023, reflecting a 14.2% and 19.5% increase in net income and diluted earnings per share, respectively. Net revenues in the three months ended September 30, 2024, totaled \$137.9 million, an increase of \$4.9 million, or 3.7%, compared to the three months ended September 30, 2023. Income from operations for the three months ended September 30, 2024, totaled \$35.3 million compared to income from operations of \$31.9 million for the same period in 2023.

Casino revenue increased 3.4% in the third quarter of 2024 compared to the third quarter of 2023. The increase in casino revenue was driven primarily by the continued increase in market share at our property in Black Hawk. This was partially offset by an increase in promotional allowances at both properties. Casino operating expense as a percentage of casino revenue increased to 36.3% for the three months ended September 30, 2024, compared to 34.5% for the three months ended September 30, 2023, primarily due to an increase in labor expense and slots participation expense.

Food and beverage revenue for the third quarter of 2024 decreased 0.2% compared to the third quarter of 2023 due to 2.4% decrease in covers. Food and beverage revenue per cover increased 2.2%. Food and beverage operating expense as a percentage of food and beverage revenue in the third quarter of 2024 increased to 72.8% compared to 70.8% in the third quarter of 2023 as a result of an increase in COGS and an increase in operating supplies expense.

Hotel revenue increased 5.0% in the third quarter of 2024 compared to the same quarter of 2023 primarily as a result of ADR increased by \$1.92 (\$180.70 in the third quarter of 2024 and \$178.78 in the third quarter of 2023). Hotel occupancy increased to 89.7% during the third quarter of 2024 compared to 88.1% during the third quarter of 2023. RevPAR was \$176.47 and \$169.63 for the three months ended September 30, 2024 and 2023, respectively. Hotel operating expense as a percentage of hotel revenue decreased to 33.8% in the third quarter of 2024 compared to 34.8% for the comparable prior year period primarily as a result of increase in ADR and improved cost management.

Other revenue increased 26.3% in the third quarter of 2024 compared to the same prior year period primarily due to an increase in spa and commission revenues at both properties, as well as proceeds from finalization of Employee Retention Credit review by IRS.

SG&A expense increased to \$27.2 million in the third quarter of 2024 from \$27.1 million in the third quarter of 2023 driven primarily by increase in labor expense. As a percentage of net revenue, SG&A expense decreased to 19.7% in the third quarter of 2024 compared to 20.4% in the same period in 2023.

Depreciation and amortization expense increased to \$13.1 million for the three months ended September 30, 2024, compared to \$12.2 million for the same prior year period, due to new assets placed into service with the ongoing renovation at Atlantis.

During the third quarter of 2024 we recognized \$0.2 million in loss on disposal of assets. During the third quarter of 2023, we recognized \$3.0 million in professional service fees relating to our construction litigation.

In the third quarter of 2024 and 2023, we recognized \$0.1 and \$0.4 million of interest expense, net of interest income, respectively. See further discussion of our Amended Credit Facility in the LIQUIDITY AND CAPITAL RESOURCES section below.

Comparison of Operating Results for the Nine-Month Periods Ended September 30, 2024 and 2023

For the nine months ended September 30, 2024, we had a net income of \$68.6 million, or \$3.60 per diluted share, compared to net income of \$64.2 million, or \$3.27 per diluted share for the same period in 2023, reflecting a 6.7% and 10.1% increase in net income and diluted earnings per share, respectively. Net revenues in the nine months ended September 30, 2024, totaled \$387.7 million, an increase of 3.9%, compared to the nine months ended September 30, 2023. Income from operations for the nine months ended September 30, 2024 totaled \$88.6 million compared to \$84.8 million income from operations for the same period in 2023.

Casino revenue increased 3.4% in the first nine months of 2024 compared to the first nine months of 2023 and was driven by an increase in market share at Monarch Black Hawk. Casino operating expense as a percentage of casino revenue increased to 37.3% for the nine months ended September 30, 2024 compared to 36.5% for the nine months ended September 30, 2023 primarily as a result of increase in labor expense and increase in promotional allowances.

Food and beverage revenue for the first nine months of 2024 increased 1.2% compared to same period in 2023 due to a 2.0% increase in food and beverage revenue per cover. Food and beverage covers decreased year-over-year by 0.9%. Food and beverage operating expense as a percentage of food and beverage revenue increased in the first nine months of 2024 to 73.8% from 72.6% for the same period in 2023 primarily as a result of an increase in COGS.

Hotel revenue increased 7.3% in the first nine months of 2024 compared to the first nine months of 2023 primarily due to an increase in ADR by \$9.86, from \$172.62 in the first nine months of 2023 to \$182.48 in the first nine months of 2024, combined with a slight increase in occupancy from 84.7% during the first nine months of 2023 to 84.8% during the same period of 2024. RevPAR was \$167.74 for the first nine months of 2024 and \$160.04 for the first nine months of 2023. Hotel operating expense as a percentage of hotel revenue decreased to 34.2% in the first nine months of 2024 compared to 37.1% for the comparable prior year period primarily as a result of increase in ADR and improved cost management.

Other revenue increased 13.9% in the first nine months of 2024 compared to the same prior year period.

SG&A expense increased to \$80.4 million in the first nine months of 2024 from \$77.2 million in the first nine months of 2023 primarily due to: \$2.6 million increase in labor expense; \$0.7 million increase in repair and maintenance expense; and \$0.4 million increase in advertising and marketing expenses, partially offset by \$0.5 million decrease in utility expense. As a percentage of net revenue, SG&A expense increased to 20.8% in the first nine months of 2024 compared to 20.7% in the same period in 2023.

Depreciation and amortization expense increased to \$38.0 million for the nine months ended September 30, 2024 compared to \$35.2 million for the same prior year period, due to new assets placed into service with the ongoing renovation at Atlantis.

During the first nine months of 2024 we recognized \$0.6 million in professional services fees relating to our construction litigation and \$0.1 million in loss on disposal of assets. During the first nine months of 2023, we recognized \$4.1 million in professional service fees relating to our construction litigation, \$0.1 million in loss on disposal of assets and \$1.2 million in proceeds from a sale of a COVID closure related insurance claim.

During the first nine months of 2024, we expensed \$0.3 million of interest, net of interest income. During the first nine months of 2023, we expensed \$1.7 million of interest, net of interest income. See further discussion of our Amended Credit Facility in the LIQUIDITY AND CAPITAL RESOURCES section below.

CAPITAL SPENDING AND DEVELOPMENT

We seek to continually upgrade and maintain our facilities in order to present a fresh, high quality product to our guests.

Cash paid for capital expenditures for the nine-month periods ended September 30, 2024 and 2023 totaled \$34.4 million and \$34.6 million, respectively. During the nine-month period ended September 30, 2024, our capital expenditures related primarily to the redesign and upgrade of hotel rooms in the third tower at Atlantis, and the acquisition of gaming, and other equipment to upgrade and replace existing equipment at Atlantis and Monarch Black Hawk. During the nine-month period ended September 30, 2023 our capital expenditures related primarily to the redesign and upgrade of hotel rooms in the second tower at Atlantis, re-carpeting the casino floor at Atlantis and the acquisition of gaming, and other equipment to upgrade and replace existing equipment at Atlantis and Monarch Black Hawk. Capital expenditures during each of the first nine months of 2024 and 2023 were funded from operating cash flows and borrowings against the Company's credit facility.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been cash provided by operations and, for capital expansion projects, borrowings available under our Amended Credit Facility.

For the nine months ended September 30, 2024, net cash provided by operating activities totaled \$102.9 million, compared to net cash provided by operating activities of \$134.4 million in the same prior year period. This decrease was primarily a result of the decrease in income tax receivable as a result of receipt of an income tax refund in the third quarter of 2023 and change in working capital, offset by an increase in depreciation expense, net income, and stock options expense.

Net cash used in investing activities totaled \$34.4 million and \$34.6 million during the nine months ended September 30, 2024 and 2023, respectively. Net cash used in investing activities during the first nine months of 2024 consisted primarily of cash used for the redesign and upgrade of hotel rooms in the third tower at Atlantis and the acquisition of gaming and other equipment at both properties. Net cash used in investing activities during the first nine months of 2023 consisted primarily of cash used for the redesign and upgrade of hotel rooms in the second tower at Atlantis, re-carpeting the casino floor at Atlantis, and the acquisition of gaming and other equipment at both properties.

Net cash used in financing activities in the first nine months of 2024 totaled \$72.5 million and consisted of \$60.0 million cash used for purchase of Company stock under the Repurchase Plan and \$16.7 million used for payment of dividends, partially offset by \$2.7 million of net proceeds from stock options exercise and \$1.5 million of borrowings under the Amended Credit Facility, net of the payments to the lender under the Amended Credit Facility. Net cash used in financing activities in the first nine months of 2023 totaled \$104.6 million and consisted of \$107.0 million used for payment of dividends, offset by \$1.3 million of net proceeds from stock options exercise and \$1.0 million of borrowings under the Amended Credit Facility, net of the payments to the lender under the Amended Credit Facility.

Amended Credit Facility

On February 1, 2023, the Company entered into the Fifth Amended and Restated Credit Agreement (the "Amended Credit Facility") with Wells Fargo Bank, N.A., as administrative agent. The Amended Credit Facility provides for a \$100 million line of credit which matures on January 1, 2025.

As of September 30, 2024, we had an outstanding principal balance of \$7.0 million under the Amended Credit Facility.

In addition to other customary covenants for a facility of this nature, as of September 30, 2024, we were required to maintain a Total Leverage Ratio (as defined in the Amended Credit Facility) of no more than 2.5:1 and Fixed Charge Coverage Ratio (as defined in the Amended Credit Facility) of at least 1.1:1. As of September 30, 2024, our Total Leverage Ratio and Fixed Charge Coverage Ratio were 0.04:1 and 109.52:1, respectively.

The interest rate under the Amended Credit Facility is SOFR (the Secured Overnight Financing Rate) plus a margin ranging from 1.00% to 1.50%, or a base rate (as defined in the Amended Credit Facility) plus a margin ranging from 0.00% to 0.50%. The applicable margins will vary depending on the Company's leverage ratio. In addition, SOFR-based loans will incur a 0.10% credit adjustment spread due to the conversion from LIBOR to SOFR as the new benchmark rate. As of September 30, 2024, the interest rate was 6.2%, or SOFR plus a 1.00% margin.

The Company's obligations under the Amended Credit Facility are secured by substantially all of the Company's assets.

We believe that our anticipated operating cash flows will be sufficient to sustain operations for the twelve months from the filing of this Form 10-Q for the quarter ended September 30, 2024 and fulfill our capital expenditure plans and authorized dividend distributions. However financial, economic, competitive, regulatory, and other factors, many of which are beyond our control, could negatively impact our operations. If we are unable to generate sufficient cash flow in the upcoming months or if our cash needs exceed our borrowing capacity under the Amended Credit Facility, we could be required to adopt one or more alternatives, such as reducing, delaying or eliminating planned capital expenditures, selling assets, restructuring debt or issuing additional equity.

For a discussion regarding our material commitments for capital expenditures, see the CAPITAL SPENDING AND DEVELOPMENT section above.

CRITICAL ACCOUNTING POLICIES

A description of our critical accounting policies and estimates can be found in Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2023 Form 10-K. For a more extensive discussion of our accounting policies, see Note 1. “Summary of Significant Accounting Policies” in the Notes to the Consolidated Financial Statements in our 2023 Form 10-K filed with the SEC on February 28, 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates and commodity prices. Our current primary market risk exposure is interest rate risk relating to the impact of interest rate movements under our Amended Credit Facility.

As of September 30, 2024, we had \$7.0 million of outstanding balance under our Amended Credit Facility. A hypothetical 1% increase in the interest rate on the balance outstanding under the Amended Credit Facility at September 30, 2024, would have resulted in a change in our annual interest cost of approximately \$0.1 million. See “Liquidity and Capital Resources” for further discussion of our Amended Credit Facility and capital structure.

We have not entered into derivative financial instruments for trading or speculative purposes.

We do not have any cash or cash equivalents as of September 30, 2024 that are subject to market risk.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"), an evaluation was carried out by our management, with the participation of our Chief Executive Officer and our Chief Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined by Rule 13a-15(e) under the Exchange Act). Based upon the evaluation, our Chief Executive Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of the Evaluation Date. During the quarter ended September 30, 2024, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 9 "Legal Matters" to our consolidated financial statements in Part I, Item 1 of this Form 10-Q is incorporated by reference herein.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors we previously disclosed in Item 1A of our 2023 Form 10-K.

We encourage investors to review the risks and uncertainties relating to our business disclosed under the heading Risk Factors or otherwise in the 2023 Form 10-K, as well as those contained in Part I - Forward-Looking Statements thereof, as revised or supplemented by our Quarterly Reports filed with the SEC since the filing of the 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the number and average price of shares of common stock repurchased by the Company in each fiscal month of the quarter ended September 30, 2024:

	Total number of shares purchased (1)	Average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (1) (2)	Maximum number of shares that may yet be purchased under the plans or programs (2)
July 1, 2024 - July 31, 2024	—	\$ —	918,675	2,081,325
August 1, 2024 - August 31, 2024	109,599	73.24	1,028,274	1,971,726
September 1, 2024 - September 30, 2024	21,686	74.42	1,049,960	1,950,040
Total	<u>131,285</u>	<u>\$ 73.44</u>	<u>1,049,960</u>	<u>1,950,040</u>

(1) *This amount represents a repurchase pursuant to our Repurchase Plan, see Note 8. STOCK REPURCHASE PLAN.*

(2) *In the third quarter of 2024, under the authority of the Repurchase Plan, the Company purchased 131,285 shares of common stock at an average price between \$70.96 and \$74.99 per share on the open market.*

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2024, no director or officer of the Company adopted or terminated a " Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit No	Description
31.1*	Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation
101.DEF*	Inline XBRL Taxonomy Extension Definition
101.LAB*	Inline XBRL Taxonomy Extension Labels
101.PRE*	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith

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.

MONARCH CASINO & RESORT, INC.
(Registrant)

Date: November 8, 2024

By: /s/ EDWIN S. KOENIG
Edwin S. Koenig, Chief Accounting Officer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monarch Casino & Resort, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

By: /s/ John Farahi
John Farahi
Chief Executive Officer

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monarch Casino & Resort, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

By: /s/ Edwin S. Koenig

Edwin S. Koenig

Principal Financial and Accounting Officer

EXHIBIT 32.1

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, John Farahi, Chief Executive Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JOHN FARAH

John Farahi

Chief Executive Officer

November 8, 2024

EXHIBIT 32.2

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Edwin S. Koenig, Chief Accounting Officer of Monarch Casino & Resort, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ EDWIN S. KOENIG

Edwin S. Koenig
Principal Financial and Accounting Officer
November 8, 2024
