

# What's In a Title?

## THE CHIEF FINANCIAL OFFICER



**Question:** How does an employee go through departmental ranks to become a Casino Hotel General Manager?

**Answer:** During our 18 years of Executive Recruiting, more times than not that

employee had come up through the Finance department. Historically, the next most popular departments were Casino Ops, Marketing and Food & Beverage. However, in today's realm the levels are evening out. Here is a day in the work life of an accomplished Finance executive.

Ned Martin is Chief Operating Officer, Chief Financial Officer, Treasurer, and a Director for American Casino & Entertainment Properties LLC ("ACEP"). Prior to this he was Corporate Vice President of Gaming Development for Stations Casinos. Ned was a member of the Board of Directors of Nevada First Bank and its successor the Bank of Nevada, the Nevada affiliate of Western Alliance Bancorporation (NYSE:WAL). He has a Bachelor of Business Administration from The University of Texas at Austin, and attended the Owen Graduate School of Management at Vanderbilt University.

**G & L:** Tell us about ACEP and some of the growth that you've gone through.

**NM:** ACEP owns and operates The Stratosphere Casino Hotel & Tower; Arizona Charlie's Deatur and Arizona Charlie's Boulder in Las Vegas, NV and The Aquarius Resort Casino in Laughlin, NV. ACEP has 4,859 hotel rooms, an RV Park, approximately 4,000 slots, 95 tables, four Race & Sports Books, two Bingo Halls, multiple restaurants, including the award-winning Top of the World Restaurant in the Stratosphere Tower, four amusement rides, and the Stratosphere Tower, the tallest building west of the Mississippi River.

Since taking over operations of ACEP in 2008 we have consistently upgraded the properties to keep them fresh, clean and competitive. We have renovated rooms, restaurants, pools, brought in new rides, and made sure our casino floors are up-



Ned Martin - Chief Operating Officer, Chief Financial Officer & Treasurer for American Casino & Entertainment Properties LLC

to-date. We also make sure our properties are kept in top operating condition.

That strategy has worked very well. EBITDA has grown approximately 60% from its recessionary low to current levels. ACEP is a great team of professionals who have worked together for many years. We effectively managed through the recession and have emerged stronger than ever. I believe we have the right formula to grow revenue and EBITDA, and a platform that can take advantage of several opportunities in the gaming industry.

**G & L:** How many people do you have under you, and who do you report to?

**NM:** I report to Frank Rabb, who is CEO. Frank and I are both on the ACEP Board of Directors. I am responsible for all financial and day-to-day operations of the organization. ACEP has more than 4,000 employees and my direct reports include our four GMs, SVP of Finance, VP of Strategic Sourcing, Director of Operations Analysis, and Director of ACEP Interactive, who operates our online social casino. In sum form, I have a responsibility to everyone in the organization.

**G & L:** Describe a typical day in your work schedule.

**NM:** I work closely with our CEO to create and execute our business plan, communicate trends, and provide him with strategic advice and support. Each day starts with the review of daily and periodic reports. We have a great team who provide timely, accurate and useful reports to both internal and external users. Without them, it is very difficult to operate and make good decisions. From there, we analyze historical business trends, communicate, anticipate, and plan our future needs. We look for and recommend ways to enhance earnings through potential revenue streams, expenses, and capital projects.

I meet regularly with the property GMs to discuss their operations, trends, and financial performance. We discuss what is working, what isn't working, and what they need to ensure we are operating efficiently and providing an excellent experience for our guests. A typical day may also include working on marketing programs, security issues, technology platforms, interacting with our investors and banks, or a number of other topics that impact the organization. I eat in the Stratosphere Employee Dining Room almost every day and that gives me a great opportunity to talk to and get to know many people in the organization.

**G & L:** Please define your Treasurer responsibilities.

**NM:** As Treasurer, I am responsible for making sure the company has sufficient cash available to operate on a day-to-day basis, make capital improvements and support growth. I direct a great team that uses our daily and periodic reports to create effective forecasts of our operations to anticipate our cash needs or surpluses. Other than directing day-to-day forecasting, most of my activities as Treasurer are managing our debt. When I started with ACEP in 2008, we had \$1.1 billion in debt and decreasing cash flow due to the recession. By executing a series of restructurings, amendments, refinancing transactions, and repayments, our debt is down to \$226 million and we have one of the best balance sheets in the gaming industry. Since 2008 we have been able to ensure

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sufficient cash flow to maintain operations and improve our properties, while significantly reducing debt. Today, we have a very solid platform for growth.

**G & L:** You were with the company during the start of the recession, what were some of your biggest challenges?

**NM:** Our owners purchased ACEP in February 2008. Frank subsequently joined the company in May and I joined the company in September with the charge of building a larger gaming company. Las Vegas had always been known as "recession proof," but that wasn't the case this time. We knew our growth strategy had to change to a strategy of sustainability. That was not an easy message for a new CFO to deliver to a new CEO and a new ownership group that had just made a large investment. We had nervous owners, nervous debt investors, and nervous employees.

Our first challenge was to put systems in place and create reports from which we could provide information and make decisions. Those decisions impacted everything: the way we operated, the way we marketed and the way we interacted with our guests. Instead of chasing business with increased promotions, we were willing to shrink operations and give up business to improve profits. Our strategy was counter to the traditional gaming ideology to fill the casino and was, therefore, questioned.

We had to attack our capital structure and cash restrictions. ACEP had \$1.1 billion dollars in debt and all of our non-operating cash was restricted in lender controlled accounts. Over the next year we restructured our debt, released the restrictions and received an infusion of cash from our ownership group that we felt would sustain the organization. With both our operations and balance sheets stable, we were able to focus on daily operations and began investing in, and improving, our properties.

We believed these investments during the recession would position us for growth once the economy turned around.

By improving reporting, scaling back our operations, improving our capital structure, reinvesting in our properties, and maintaining a management team that bought in to the strategy, our operations and financial performance stabilized. Now that the economy is improving, ACEP is also growing net revenues, EBITDA and EBITDA margins.

**G & L:** What different technologies and an entities have been the trends over the last few years?

**NM:** We have seen tremendous growth in revenue generated by non-gaming an entities as operators have improved the overall experience for their guests. Today's integrated resort casinos manage the day from beginning to end by offering a diverse range of experiences.

Gaming over the internet and on mobile devices has grown considerably, but casino and sports gambling are still not widely approved by the states. I believe we will continue to see this distribution channel grow. ACEP has been operating in internet gaming for several years, and currently operates [www.acePLAYcasino.com](http://www.acePLAYcasino.com) as a social gaming site.

**G & L:** Where do you see the future of the industry going?

**NM:** The variables for the industry are game type and distribution channels. Today's consumers play games and will pay to play. However, they have shorter attention spans, demand convenience, and put a premium on elements of skill and the experience. Internet and mobile channels will continue to grow in importance due to convenience and efficient delivery, but they lack the experience. Brick and mortar casinos are already evolving into fully integrated entertainment

facilities that offer a full range of experiences that can't be duplicated over the internet. Those experiences include gaming, but also shows, shopping, eating, drinking and dancing. There will always be demand for the experiences provided by brick and mortar resort casinos.

There has been very little change in the games we play in casinos. Suppliers must develop casino games that are as appealing as video games, but simple enough for the consumer to quickly understand. Regulators have approved skill-based games, which are just now finding a home on casino floors. Given the speed of innovation and the short attention span of the consumer, both suppliers and regulators will be challenged to keep up with technology. Applying consistent standards, and putting processes and resources in place that test, approve and get games to the consumer is extremely important.

It is a very interesting time for the casino industry. We are seeing maturity in terms of operators, and expansion to new jurisdictions. With every new jurisdiction, the industry gets more acceptance, but with further fragmentation in the regulatory environment. At the same time the industry is being challenged by consumer tastes that are quickly influenced by rapidly changing technology. It will be very interesting to see how all of these opportunities come together over the next several years.

We would like to thank Ned for his time and insights, and wish him and ACEP continued success. Until next issue, have a wonderful Spring!

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