

International Gaming Technolc

Price: 43.65 12/6/2007

Sector: Consumer
Industry: Casinos and Gaming

Market Cap (Large): \$14.25 Billion
Recommended Price: 39.64

Analyst:



Business Description

IGT designs, manufactures, and markets casino equipment. Specifically, they work on the production of computerized gaming equipment and services. They sell this equipment to casinos worldwide, especially focusing in Las Vegas, Japan, Macau and new planned casinos in Dubai. They manufacture their equipment in the US, UK, Japan, and Canada. They recently started working on new server based equipment that will allow gamers to play any game they want from any machine they want, reducing overall casino wait times.

Business Story and Recent Developments

Right now, this company stands above and beyond all of its competitors. In this years 'Best of Gaming Awards,' player votes determined that IGT took 15 of 20 possible places among gaming manufacturers. They captured all four first place awards. Thus, the multitude of new casinos going up in Las Vegas, Japan, Macau, and especially the new hotbed of Dubai will look to use the most popular equipment out there to attract consumers. IGT and Paltronics just recently came to a definitive agreement for a mutually beneficial relationship to develop complementing product offerings for the gaming market and new server-based system technology.

Industry Outlook

Most gaming markets are currently reporting higher gambling revenue, but Las Vegas' growth numbers are slowing. However, the Las Vegas strip is undergoing a continuing building boom, which will help IGT. Also, even though overall industry numbers may seem to be slowing a bit, gaming companies are looking overseas to increase revenue. All in all, gambling will exist no matter what condition the economy goes into because of its somewhat addictive nature. With overseas growth and a building boom domestically, it is safe to say the industry's growth numbers won't be 'slowing down' for much longer.

Financial Highlights

EPS = 1.41, up 11% from last year. ROE = 27% (Industry avg. is 10.6%). ROA = 12.2% (Industry avg. is 3.4%). Sales have grown 11% over the past 5 years. Net income up nearly 8% from last year. Net income up almost 8% over the past year.

Valuation

P/E is 29.9 relative to the industry P/E of 29.6, so IGT is a good stock at an industry average price. However, Price/Book is 7.8 compared to 3.4 for the industry and Price/Sales is 5.6 compared to 2.4 for the industry. Overall, the price per dollar of earnings is average, and IGT is an above average stock. A current ratio of 1.86 makes the company liquid.

Investment Thesis

We should invest in IGT because of the new opportunities it will find overseas, the overall success of its equipment versus that of its competitors, and the relatively average P/E ratio. Any new casino wanting to have the best equipment to attract customers will choose IGT as its provider, given its track record and the recent awards it has won.