



Why Great Canadian Gaming Corp. Is Rallying Over 5%

Description

Great Canadian Gaming Corp. (TSX:GC), one of Canada's leading operators of gaming, entertainment, and hospitality facilities, announced its fiscal 2017 fourth-quarter and full-year earnings results after the market closed yesterday, and its stock has responded by rallying over 5% at the open of trading today. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

The results that ignited the rally

Here's a quick breakdown of six of the most notable financial statistics from Great Canadian Gaming's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Total revenues	\$151.0 million	\$143.0 million	5.6%
Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$49.2 million	\$47.2 million	4.2%
Adjusted EBITDA margin	32.6%	33.0%	(40 basis points)
Adjusted shareholders' net earnings	\$14.8 million	\$16.2 million	(8.6%)
Adjusted shareholders' net earnings per common share (EPS)	\$0.24	\$0.27	(11.1%)
Cash generated by operating activities	\$50.4 million	\$46.6 million	8.2%

And here's a quick breakdown of six notable statistics from Great Canadian Gaming's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Total revenues	\$614.3 million	\$566.4 million	8.5%
Adjusted EBITDA	\$223.0 million	\$208.9 million	6.7%
Adjusted EBITDA margin	36.3%	36.9%	(60 basis points)
Adjusted shareholders' net earnings	\$86.4 million	\$78.9 million	9.5%
Adjusted EPS	\$1.41	\$1.28	10.2%
Cash generated by operating activities	\$192.3 million	\$176.8 million	8.8%

Notable commentary in the release

In the press release, Great Canadian Gaming also made three important comments.

First, it noted that its \$170 million purchase of a 49% interest in the [Ontario Gaming](#) GTA Limited Partnership was completed on January 23, 2018.

Second, it noted that its deal to acquire a 55% interest in [The West GTA](#) Gaming Bundle is expected to be completed in the second quarter of 2018.

Lastly, it noted that the construction of its new Shorelines Casino Peterborough is expected to be completed in the second half of 2018.

What should you do now?

The fourth quarter capped off an outstanding year for Great Canadian Gaming, highlighted by its double-digit percentage growth of adjusted EPS, and it noted that its performance could be attributed to “contributions from Shorelines Casino Belleville, which opened on January 11, 2017, as well as increased revenues at most of the properties” that it operates.

With its strong financial performance in 2017 in mind, I think the market has responded correctly by sending its stock significantly higher, and I think it still represents an attractive long-term investment opportunity today, because it's wildly undervalued based on its growth; Great Canadian Gaming's stock still trades at just 25.5 times fiscal 2017's adjusted EPS of \$1.41, only 24 times the consensus EPS estimate of \$1.50 for fiscal 2018, and a mere 21.8 times the consensus EPS estimate of \$1.65 for fiscal 2019, all of which are very inexpensive given its current earnings-growth rate and its long-term growth potential given the ongoing expansion of its property portfolio.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the gaming industry should strongly consider beginning to scale in to long-term positions in Great Canadian Gaming today.

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