



## Market Selloff: This Value Stock Just Got Ridiculously Cheap

### Description

Even *before* the market selloff, this value stock was inexpensive compared to other stocks. But *since* the market selloff, this stock is priced too low to ignore.

The stock I'm referring to is **Great Canadian Gaming** (TSX:GC).

Great Canadian currently has a PE ratio of 8.81 and the stock is trading at \$33.34, as of this writing. That's down from a 52-week high of \$53.36, making this an excellent entry point for this proven long-term winner.

Great Canadian has grown to be one of Canada's largest gaming and entertainment companies, since its inception in 1982. The company maintains 25 properties across Ontario, British Columbia, Nova Scotia, and New Brunswick. These facilities include over 16,000 slot machines, 575 table games, 71 dining amenities, and over 500 hotel rooms.

### Revenue increased this year

The company acquired numerous casinos in the Toronto area in 2018, and these acquisitions are beginning to pay off. In its recent fourth-quarter earnings release, Great Canadian reported revenue of \$357.4 million.

This represents an increase of 8% for the quarter and an increase of 15%, or \$175.8 million to \$1.356 billion during the full year of 2019 when compared to the same period last year. The company reported a year-end cash pile of \$330 million.

In 2019, the company completed several upgrades to its existing properties. Capital expenditures of over \$400 million were used to add a new building at Great Blue Heron, expand gaming at Elements Casino Mohawk and Elements Casino Flamboro, and add to a building at Elements Casino Grand River.

Several of the company's ongoing projects are nearing completion. The casino building portion at the

Pickering Casino Resort, with various dining amenities, is expected to open by the end of first quarter 2020, and the company continues its foundation work at the expansion of Casino Woodbine.

Like many gaming and entertainment companies, Great Canadian provides a significant portion of gross gaming revenue to its crown partners on behalf of their provincial government for the purpose of supporting programs like healthcare, education, and social services.

Through the company's PROUD program, Great Canadian annually supports over 1,400 charitable and non-profit organizations across Canada.

At writing, the company has a market cap of \$1.84 billion. Over the years, the company has consistently [offered share buybacks](#), including \$100 million in 2019 to buy back more than 2.5 million shares.

## Impact of coronavirus

While the coronavirus is having an immediate impact on several industries, including travel, the disease has not had any effect at the company's casinos. During the earnings call, when asked about the potential ramifications of the disease on the company's operations, CEO Rodney Baker commented that there had been no impact on any of the properties to date.

## The bottom line

While it's too early to determine the lasting effect of the coronavirus on the gaming industry as a whole, if you've been waiting for an entry point for Great Canadian, this may be the time to pull the trigger.

Consider the company's growing revenue – the company's earnings for 2019 were \$3 per share despite significant dilution to help finance its acquisitions.

In 2018, earnings were only \$1.80 per share, highlighting the trajectory of growth for the company.

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