

Consumer: Gaming

Channel Checks

Target Price Changed

Century Casinos, Inc. | CNTY - \$12.71 - NASDAQ | Buy

Stock Data

52-Week Low - High	\$8.82 - \$16.44
Shares Out. (mil)	29.63
Mkt. Cap.(mil)	\$376.53
3-Mo. Avg. Vol.	133,537
12-Mo.Price Target	\$17.00
Cash (mil)	\$107.8
Tot. Debt (mil)	\$173.8

Revenue (\$ millions)

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	72.4A	100.1E	112.9E
2Q	92.2A	118.7E	119.4E
3Q	116.6A	118.2E	118.8E
4Q	107.3A	112.5E	113.1E
YEAR	388.5A	449.4E	464.2E

EBITDA

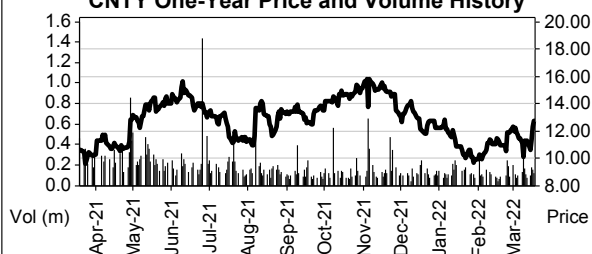
Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	14.7A	20.8E	29.8E
2Q	25.2A	33.8E	34.0E
3Q	33.1A	34.0E	34.2E
4Q	24.9A	29.2E	29.2E
YEAR	97.9A	117.8E	127.2E

Box above illustrates EBITDAR, not EBITDA. Please see full model for EBITDA (which subtracts rent expense).

EPS \$

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	(0.05)A	0.04E	0.21E
2Q	0.22A	0.31E	0.30E
3Q	0.36A	0.31E	0.30E
4Q	0.13A	0.20E	0.19E
YEAR	0.66A	0.85E	1.01E
P/E	19.3x	15.0x	12.6x

CNTY One-Year Price and Volume History



CNTY: Bullish on Conference Takeaways

CNTY attended our Annual ROTH Conference from March 14-15, where we came away incrementally more positive. Despite concerns over inflation, gas prices and Ukraine, it seems macro headwinds are not impacting CNTY's underlying business. In fact, Poland appears to be a beneficiary, while falling COVID cases are providing tailwinds to US/Canada. The recent Nugget acquisition also seems underappreciated, where \$40M+ property EBITDA seems achievable vs \$33M in 2021. Adjusted for M&A and expansions, CNTY trades at a ~20% FCF yield.

Poland Outperforming

New York Times recently reported a pickup in Poland tourism alongside the war in Ukraine ([article here](#)). A combination of humanitarian/NATO aid and displaced Ukrainians are driving incremental demand. It seems CNTY's eight Poland casinos are benefiting as well, and we expect 1Q22 EBITDA to further ramp from 4Q21. While Poland contributes just ~8% of CNTY's EBITDA, we believe stability here can trigger an asset sale and reduce CNTY's complexity.

\$40M+ of Reno EBITDA

We don't believe investors are fully appreciating CNTY's recent acquisition of Nugget Casino in Reno. While the 7.6x headline takeout multiple was above CNTY's 6.2x, we believe the takeout multiple can fall below 6x as CNTY ramps property EBITDA above \$40M. 2021 property margins of ~33% were well below Reno peers with ~40% margins, and we see mgmt focusing more on core casino operations than prior ownership. Any incremental pickup in group/convention business post-COVID should also flow to the bottom line.

No macro headwinds in US/Canada

Despite investor concerns over inflation and rising gas prices, CNTY has not noticed any impact on North America casinos, particularly given these are local drive-too destinations. Alternatively, Canada continues to rebound from Omicron, where we expect 2Q22 to be the segment's best quarter since the pandemic.

Reiterate Buy rating, increase PT to \$17 (+\$1)

We increase our PT to \$17 to reflect higher Nugget synergy expectations. While CNTY's story consists of several moving pieces, including major expansions, capital leases and pending M&A, we believe the stock is trading at a ~20% FCF yield Pro Forma. Given CNTY's smaller size, it's finding an M&A niche by acquiring quality assets that are too small to be considered by major operators.

Conference Update

Figure 1: CNTY – FCF Build (\$M)

\$M	2022E	2023E	2024E	2025E
Legacy	118	126	130	139
Nugget	35	40	43	45
G&A	(10)	(11)	(11)	(11)
EBITDAR	143	155	162	173
Rent	(35)	(35)	(36)	(36)
Interest	(21)	(21)	(21)	(21)
Taxes	(12)	(14)	(15)	(18)
Maint. CapEx	(21)	(21)	(21)	(21)
FCF	54	64	69	77
<i>per share</i>	<i>\$1.83</i>	<i>\$2.15</i>	<i>\$2.34</i>	<i>\$2.60</i>
<i>Yield</i>	<i>14.4%</i>	<i>16.9%</i>	<i>18.4%</i>	<i>20.5%</i>

Source: Eikon, ROTH Capital Partners forecasts

Figure 2: CNTY – Valuation

	2022E	2023E	2024E	2025E
FCF/share	\$1.83	\$2.15	\$2.34	\$2.60
<i>Target yield</i>	<i>11.1%</i>	<i>13.0%</i>	<i>14.1%</i>	<i>15.7%</i>
Legacy Value	\$16.55	\$16.55	\$16.55	\$16.55
MO Expansion	\$0.46	\$0.46	\$0.46	\$0.46
Valuation	\$17.02	\$17.02	\$17.02	\$17.02

Source: Eikon, ROTH Capital Partners forecasts

VALUATION

We apply a sum-of-the parts valuation that incorporates CNTY's legacy operations with the Nugget acquisition and MO expansion opportunities. We apply a 13% target yield to our Pro Forma 2023E FCF forecast while adding \$0.50 per share of value related to MO expansions to arrive at our \$17 PT.

Factors that could impede CNTY from reaching our price target include failing to achieve favorable financing terms on future M&A, weakening consumer spending and unfavorable regulations.

RISKS

- **Consumer spending.** Any softening in consumer spending, particularly in markets with a Century property, would negatively impact revenues and earnings. Factors that could limit consumer spending include stagflation, lower consumer confidence, and increased social distancing alongside an uptick in COVID-19 cases. Given high levels of operating leverage at casinos, reductions in revenues would erode earnings even more meaningfully.
- **M&A Risks.** Some of our thesis is predicated on CNTY's ability to target attractive M&A opportunities while achieving synergies through operational improvements. Volatility in regional gaming markets could limit take-out opportunities at attractive valuations.
- **Wage inflation.** Difficulties in hiring employees, particularly in lower level positions, could increase costs across the portfolio and limit EBITDA margins. An inability to hire new employees may also limit Century's ability to operate its portfolio at full capacity.
- **Rising interest rates.** Rising interest rates could increase CNTY's cost of capital, offering lower ROIs on future development opportunities. This would also limit the company's ability to refinance existing debt, despite an improving credit profile.
- **COVID-19 restrictions.** An uptick in COVID-19 cases, or the emergence of new variants, could lead to an increase in social distancing restrictions and limit Century ability to operate at full capacity.
- **Unattractive financing terms.** Market volatility could limit CNTY's ability to raise capital at attractive terms, where the company may incur higher interest rates or need to fund projects with more equity than anticipated.
- **iGaming cannibalization.** Saturation of online gaming could cannibalize Century's operations. While cross-selling iGaming to casino customers has created incremental revenues thus far, competitors could find ways to target Century's customer base and limit spending at land-based casinos.
- **VLT expansion.** Regulators may continue to deregulate distributed gaming, enabling non-gaming establishments to operate video-lottery-terminals. Proliferation of VLTs in Century's markets could cannibalize wallet share from existing customers.

COMPANY DESCRIPTION

Century Casinos, Inc. is a casino entertainment company. The Company develops and operates gaming establishments, as well as related lodging, restaurant, horse racing, sports betting, iGaming, bowling and entertainment facilities primarily in North America. It operates through three segments: Canada, the United States and Poland. The Canada segment consists of Century Casino & Hotel, Century Casino, Century Mile Racetrack and Casino, Century Downs Racetrack and Casino, Century Sports and Century Bets! Inc. The United States segment consists of Century Casino & Hotel, Mountaineer Casino, Racetrack & Resort, Century Casino Cape Girardeau and Century Casino Caruthersville. The Poland segment consists of Casinos Poland.

Source: Eikon

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days	365 2018	365 2019	366 2020	90 1Q21	91 2Q21	92 3Q21	92 4Q21	365 2021	90 1Q22E	91 2Q22E	92 3Q22E	92 4Q22E	365 2022E	90 1Q23E	91 2Q23E	92 3Q23E	92 4Q23E	365 2023E	365 2024E	365 2025E
CNTY (US\$M)																				
Income Statement																				
Total Revenue	168.9	218.2	304.3	72.4	92.2	116.6	107.3	388.5	100.1	118.7	118.2	112.5	449.4	112.9	119.4	118.8	113.1	464.2	478.2	492.7
<i>yoy % chg</i>	9.7%	29.2%	39.4%	-17.4%	155.3%	21.8%	26.5%	27.7%	38.2%	28.7%	1.3%	4.8%	15.7%	12.8%	0.6%	0.6%	0.6%	3.3%	3.0%	3.0%
Total expenses	159.5	223.5	304.4	64.2	74.1	90.9	90.9	320.0	86.2	91.9	91.2	90.3		90.1	92.5	92.0	91.3			
Operating Income	9.5	(5.2)	(0.1)	8.2	18.1	25.7	16.4	68.5	13.9	26.8	27.0	22.2	89.9	22.8	26.8	26.9	21.9	98.4	101.5	110.4
Interest expense	(4.2)	(7.5)	(42.8)	(10.5)	(10.7)	(10.8)	(10.8)	(42.8)	(10.6)	(12.7)	(12.7)	(12.7)	(48.7)	(12.7)	(12.7)	(12.7)	(12.7)	(50.8)	(50.7)	(50.7)
Interest income	0.1	0.0	0.0	-	-	0.2	0.0	0.2	-	-	-	-	-	-	-	-	-	-	-	-
FX gain (loss)	0.6	0.8	(0.4)	0.5	(0.0)	(0.1)	2.0	2.3	-	-	-	-	-	-	-	-	-	-	-	-
Income before taxes	5.9	(12.0)	(43.3)	(1.8)	7.4	15.0	7.6	28.1	3.3	14.1	14.3	9.5	41.2	10.1	14.1	14.2	9.2	47.6	50.8	59.7
Tax provision (benefit)	1.9	4.2	4.8	0.1	1.1	2.6	2.6	6.4	0.7	3.0	3.0	2.0	8.6	2.1	3.0	3.0	1.9	10.0	10.7	12.5
<i>tax % rate</i>	32.4%	-34.9%	-11.2%	-5.5%	15.2%	17.3%	33.7%	22.6%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income	4.0	(16.1)	(48.1)	(1.9)	6.3	12.4	5.0	21.8	2.6	11.2	11.3	7.5	32.5	8.0	11.2	11.2	7.2	37.6	40.1	47.2
Non-controlling interests	(0.6)	(3.0)	0.1	0.5	0.6	(1.2)	(1.1)	(1.2)	(1.3)	(1.4)	(1.4)	(1.2)	(5.3)	(1.3)	(1.4)	(1.4)	(1.2)	(5.3)	(5.3)	(5.4)
Net Income to CNTY	3.4	(19.2)	(48.0)	(1.4)	6.9	11.2	4.0	20.6	1.3	9.7	9.9	6.3	27.2	6.7	9.7	9.8	6.1	32.3	34.8	41.8
<i>yoy % chg</i>	132.8%	-664.7%	150.6%	-96.9%	-154.4%	199.5%	-41.0%	-143.0%	-189.9%	42.0%	-12.3%	60.3%	31.9%	426.9%	0.1%	-0.6%	-4.3%	18.8%	7.6%	20.2%
Basic EPS	\$0.12	(\$0.65)	(\$1.63)	(\$0.05)	\$0.23	\$0.38	\$0.13	\$0.70	\$0.04	\$0.33	\$0.33	\$0.21	\$0.91	\$0.22	\$0.32	\$0.32	\$0.20	\$1.07	\$1.15	\$1.37
Diluted EPS	\$0.11	(\$0.65)	(\$1.63)	(\$0.05)	\$0.22	\$0.36	\$0.13	\$0.66	\$0.04	\$0.31	\$0.31	\$0.20	\$0.85	\$0.21	\$0.30	\$0.30	\$0.19	\$1.01	\$1.08	\$1.28
<i>yoy % chg</i>	27.8%	-675.2%	149.9%	-96.9%	-152.0%	184.8%	-44.8%	-140.5%	-184.0%	38.3%	-13.9%	58.4%	29.8%	422.7%	-0.7%	-1.4%	-5.0%	18.0%	6.7%	19.3%
Basic WASO	29.0	29.5	29.6	29.6	29.6	29.6	29.6	29.6	29.7	29.8	29.9	30.0	29.8	29.9	30.0	30.1	30.2	30.1	30.3	30.6
Dilutive shares	1.0	0.3	0.0	-	1.4	1.6	2.0	1.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Diluted WASO	30.0	29.8	29.6	29.6	30.9	31.2	31.6	30.8	31.7	31.8	31.9	32.0	31.8	31.9	32.0	32.1	32.2	32.1	32.3	32.6
<i>dilution</i>									0.1	0.1	0.1	0.1		0.1	0.1	0.1	0.1			
Operating income	9.5	(5.2)	(0.1)	8.2	18.1	25.7	16.4	68.5	13.9	26.8	27.0	22.2	89.9	22.8	26.8	26.9	21.9	98.4	101.5	110.4
D&A	9.4	10.8	26.5	6.6	6.6	6.8	6.7	26.8	6.7	6.7	6.6	6.7	26.6	6.7	6.8	6.9	7.0	27.5	28.8	28.5
Loss (gain) on disposal of assets, net	1.4	16.9	20.9	0.1	0.2	0.0	(0.3)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based comp	0.9	1.3	(0.2)	0.3	0.3	1.0	1.1	2.7	0.3	0.4	0.4	0.3	1.3	0.3	0.4	0.4	0.3	1.3	1.4	1.4
FX & other	2.2	6.4	1.3	(0.5)	(0.0)	(0.5)	1.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Adj. EBITDAR	23.4	30.3	48.4	14.7	25.2	33.1	24.9	97.9	20.8	33.8	34.0	29.2	117.8	29.8	34.0	34.2	29.2	127.2	131.7	140.4
<i>yoy % chg</i>	-10.4%	29.5%	59.8%	52.9%	-153.3%	48.8%	36.0%	102.3%	41.3%	34.0%	2.8%	17.4%	20.3%	43.1%	0.5%	0.5%	-0.1%	7.9%	3.6%	6.6%
<i>margin %</i>	13.8%	13.9%	15.9%	20.4%	27.4%	28.3%	23.2%	25.2%	20.8%	28.5%	28.7%	26.0%	26.2%	26.4%	28.5%	28.7%	25.8%	27.4%	27.5%	28.5%
United States	8.1	11.8	47.2	22.1	28.2	24.2	21.2	95.8	18.6	22.2	22.2	20.6	83.6	20.5	22.4	22.4	20.6	85.8	90.0	98.3
Canada	19.5	21.2	11.4	(2.5)	0.6	8.0	3.4	9.5	1.5	9.0	8.6	6.9	26.0	6.9	9.0	8.6	6.9	31.4	31.7	32.0
Poland	4.9	9.4	0.3	(2.6)	(1.0)	3.0	3.2	2.6	3.2	3.5	3.5	2.9	13.1	3.1	3.5	3.5	2.9	13.0	13.2	13.3
Property EBITDAR	32.5	42.4	59.0	17.1	27.8	35.2	27.8	107.9	23.3	34.7	34.3	30.4	122.7	30.5	34.9	34.5	30.4	130.3	134.9	143.7
Corporate expense & rent income	(9.1)	(12.1)	(10.6)	(2.3)	(2.6)	(2.1)	(2.9)	(10.0)	(2.4)	(0.9)	(0.4)	(1.2)	(4.9)	(0.7)	(0.9)	(0.4)	(1.2)	(3.1)	(3.2)	(3.3)
Adj. EBITDAR	23.4	30.3	48.4	14.7	25.2	33.1	24.9	97.9	20.8	33.8	34.0	29.2	117.8	29.8	34.0	34.2	29.2	127.2	131.7	140.4
Cash Rent	(2.0)	(5.8)	(26.9)	(4.5)	(6.9)	(6.7)	(9.0)	(27.1)	(6.9)	(6.9)	(6.9)	(6.9)	(27.4)	(7.0)	(7.0)	(7.0)	(7.0)	(28.0)	(28.0)	(28.0)
Adj. EBITDA	21.4	24.5	21.5	10.2	18.3	26.4	15.9	70.8	14.0	27.0	27.1	22.3	90.4	22.8	27.0	27.2	22.2	99.2	103.7	112.4
<i>yoy % chg</i>		-67.7%	47.6%	-248.0%	388.2%	-68.8%	-70.7%	0.8%	-36.4%	-47.1%	-2.9%	-40.7%	-127.0%	-63.3%	-0.1%	-0.2%	0.7%	-62.8%	-18.6%	-33.8%

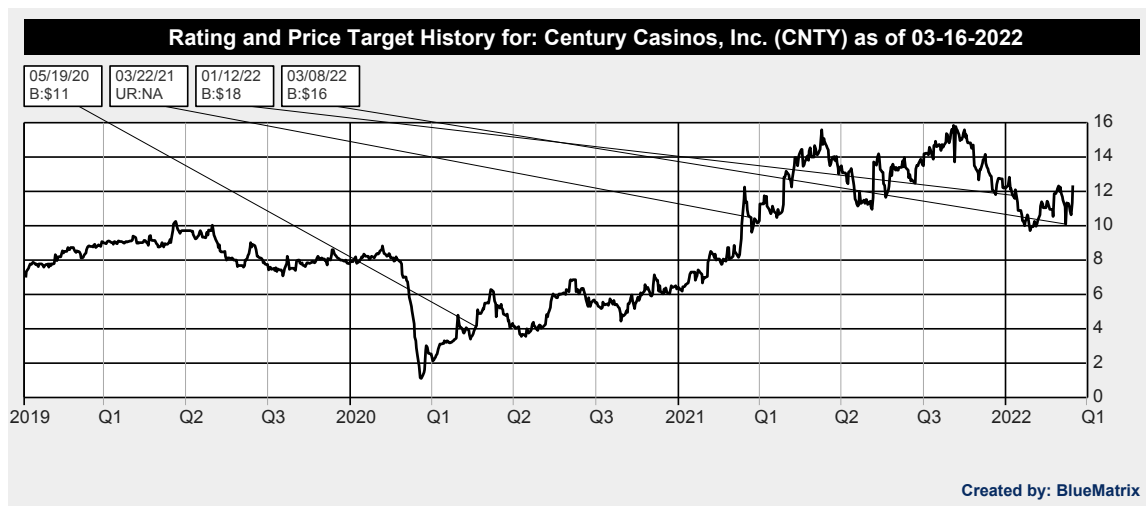
Source: CNTY SEC filings; ROTH Capital Partners forecasts

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/18/22	
			Count	Percent
Buy [B]	348	82.86	234	67.24
Neutral [N]	45	10.71	24	53.33
Sell [S]	0	0.00	0	0
Under Review [UR]	27	6.43	17	62.96

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Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

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