

Reported third-quarter earnings before interest, taxes, depreciation, and amortization (EBITDA) that beat Wall Street estimates. And, while the stock is sliding on Wednesday, some analysts remain upbeat on the shares.

In a note to clients, Stifel analyst Jeffrey Stantial reiterated a “buy” rating on PlayAGS, with an \$11 price target, implying an upside of 57% from the Tuesday close. He sees several possible catalysts for the stock, including the ongoing slot machine upgrade cycle.

Results and commentary suggest continued return on management’s re-tooling of the slot business, with quarterly growth in premium leased units accelerating and slot shipments outpacing consensus,” noted Stantial.

Casino visitation trends are strong across the US, compelling operators to extend the slot upgrade cycle owing to the high margins offered by gaming machines. Specific to AGS, the company is adding market share and derives 70% of its sales from recurring revenue streams.

PlayAGS Shares Have Big Potential

Entering Wednesday, PlayAGS stock was higher by 2.21% year-to-date – good for one of the best showings among all gaming equities.

Despite the trials and tribulations endured by the broader small-cap universe and the stock’s September slump, which was largely attributable to news that prospective suitor Inspired Entertainment (NASDAQ: INSE) halted takeover talks it had previously commenced with the Las Vegas-based company.

In August, Inspired Entertainment offered \$10 a share in cash for AGS, valuing the target at \$370 million. That’s well above AGS’s current market capitalization of \$251.23 million. While a scuttled takeover usually weighs on shares of the stock — and that happened with PlayAGS — there are signs of momentum in the company’s business.

“Commentary at this year’s G2E, both from management and customers, suggests momentum in game ops (in particular premium) should persist into 2023 with solid content shown for the Orion Curve Premium and expansion into high-denom (a key function of T12M R&D investments) broadening the product portfolio,” added Stantial. [온라인카지노사이트](#)

PlayAGS Offering Compelling Valuation

Small-cap stocks, regardless of sector, usually trade at premium valuations relative to large-cap peers. That’s simply the price of admission for accessing the superior growth rates offered by smaller companies. However, small-caps are trading at noticeable discounts this year, and PlayAGS is part of that trend.

Shares have outperformed the group since Q2 earnings, though even still trading at a wide discount to peers (~5.25x 2023E Adj. EBITDA),” noted Stantial. “Valuation remains solidly

dislocated from recent performance, and forecasted market share trajectory into 2023 (based on our anecdotal checks), and hence we reiterate 'buy.'"

Additionally, there's speculation that PlayAGS remains a compelling acquisition and that it could be holding undisclosed talks with other suitors. But that hasn't been confirmed as of yet.