

Introduction to International Game Technology PLC 2018

Slot machine manufacturer International Game Technology PLC (IGT PLC) filed their annual report with the SEC on March 15, 2018. IGT PLC, or simply IGT, is one of the largest gaming manufacturers in the world.

They manufacture slot machines, of course. But, they are also a software company, creating casino operating software, lottery distribution systems, and slots game themes.

Every company's annual SEC report has the legal requirement of providing easy-to-read statements. These include details of the company's financial performance as well as, an important element for you and I, their so-called forward-looking statements.

By reviewing these forward-looking statements, we will learn from the best minds in the business what their thoughts are on the current condition and immediate future of the gaming industry.

And, knowing what the major changes and trends in the gaming industry are will allow you and I our best glimpse of the future of slot machine gambling in the U.S. and abroad.

This blog article has the following sections:

- Introduction to International Game Technology PLC 2018
- Overall Risk Factors for IGT
- Overview of Slots Manufacturer IGT
- Lottery
- Machine Gaming
- Sports Betting
- Interactive and Social Gaming
- Commercial Services
- Summary of International Game Technology PLC 2018

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2018 [International Game Technology PLC 2018].

Overall Risk Factors for IGT

Each year around mid-March, slots manufacturer International Game Technology PLC files their annual financial report to the [U.S. Securities Exchange Commission \(SEC\)](#).

Because IGT is an international company with its headquarters not based in the U.S., this annual report is a Form 20-F rather than the more usual Form 10-Q for U.S.-based companies. For instance, slots manufacturer Scientific Games Corporation uses a Form 10-Q.

I mention these form numbers so you know which to look for on either the SEC website itself or when using the search tool on the Investor Relations web pages of slot machine manufacturing companies.

The [2018 Form 20-F for IGT](#) available on their [Investor Relations webpage](#) is 267 pages long. It has many tables of standard financial data as well as other necessary sections which are not the focus of this blog article.

However, what is the focus are the “forward-looking statements” which annual financial reports provide. Such statements are required by the Private Securities Litigation Reform Act of 1995, including the understanding that

“These statements may discuss goals, intentions, and expectations as to future plans, trends, events, dividends, results of operations, or financial condition, or otherwise, based on current beliefs of the management of the Company as well as assumptions made by, and information currently available to, such management.”

These forward-looking statements include known and specific economic and political risks to IGT but are not intended as a so-called profit forecast. They are attempting to provide a clear

understanding for investors of the current financial condition of IGT within the context of a global market.

All that being said, IGT has some interesting overall concerns. For instance, they have a substantial market in Great Britain. So, the U.K. leaving the E.U., commonly known as “Brexit,” has created financial uncertainty that may well negatively impact IGT’s business at all other locations throughout the world.

More typical for every year, they also express concerns with working with E.U. in general. Also, how weak or strong the global economy is generally affecting how much individuals in various countries are willing to spending on gaming.

Yet other concerns are detailed in the Risk Factors section of IGT’s annual report, such as:

1. how having several large customers means the loss of any one of them will have a relatively large impact on the company
2. risks regarding their consortium arrangement with the Lotto Concession in Italy
3. how company operations naturally depend on being able to “retain and extend its existing contracts and win new contracts”
4. how unsuccessful completion of future company acquisitions might well limit the growth of the company or otherwise prove disruptive
5. if the lottery and gaming markets slow or decline in growth, this would negatively impact company revenues

This last point is highly relevant to us as slots enthusiasts. A concern is their success depends on their ability to attract and retain new players despite greater competition.

Further, it depends on their ability to continue to innovate their services, products, and distribution systems.

Another concern regarding IGT’s gaming market is that product demand is driven by new casinos and the expansion of existing casinos as well as the replacement of gaming machines.

In turn, this is closely related to the activities of groups which actively oppose gaming within each gaming jurisdiction worldwide.

These detailed risk factors continue for a total of 11 pages, but one important risk factor is not mentioned in this section despite it being a market IGT is engaged with. Specifically, it is the sports betting market.

As mentioned, this annual report was released in mid-March. However, the U.S. Supreme Court decision to no longer ban sports betting at the federal level was released months afterward.

So, this dynamic change in one segment of the gaming market was not called out as a specific risk. Although to be fair, associated risks such as online real-money gaming and an increased

competition were specifically identified as risks.

It'll be interesting to see what forward-looking statements IGT will make regarding the sports betting market in their next annual report expected mid-March 2019.

Overview of Slots Manufacturer IGT

International Game Technology PLC (IGT or IGT PLC) is based in London. It also has major operating facilities in Providence, Las Vegas, and Rome, Italy. As of the end of 2017, it had over 12,000 employees.

It is organized into four business segments:

- North America Gaming and Interactive
- North America Lottery
- International
- Italy

International Game Technology PLC has total assets of just over \$15.1 billion and a total equity of \$2.3 billion attributable to IGT PLC.

Due to various mergers over the last 4 years, this company has had several names. In 2015, the current "parent" company IGT PLC took the name of one of those acquisitions, specifically a relatively small company called IGT.

So, while you may have played IGT slot machines for years, the current owner of that slot manufacturer was created in 2015.

Simply stated, the merger agreement of several companies into the new IGT PLC specifically identified IGT as being the brand name to use of the new parent company. Put another way, you get to keep playing your favorite IGT slot machines, none the wiser.

Overall, IGT PLC brands itself as "the world's largest end-to-end gaming company, with leading market positions in North American and Italy and the most extensive gaming content library in the world."

International Game Technology PLC has five categories of products and services, which I will be reviewing in the next sections:

1. Lottery
2. Machine Gaming
3. Sports Betting
4. Interactive and Social Gaming

5. Commercial Services



London [International Game Technology PLC 2018].

Lottery

International Game Technology PLC has more than 100 customers worldwide. These customers have purchased whole lottery systems, including:

- facility management contracts
- lottery management agreements
- product sales contracts

Typical service contracts are for 5-10 years, and lottery transaction processing systems are typically able to process over 500,000 transactions per minute received from over the entire lottery system.

Overall, IGT PLC's Lottery business segment provides over 450,000 lottery terminals worldwide. They also themselves design and offer instant lottery tickets as well as the printing services and marketing plans necessary to create instant lottery tickets.

IGT PLC's primary competitors for lottery systems include Scientific Games Corporation (SGC), the subject of an upcoming blog article, and Intralot S.A. Primary competitors in the instant ticket lottery arena include SGC and Pollard Banknote Limited.

Regarding existing facilities management contracts, IGT PLC provides lottery systems to 25 U.S. states. They list which states they have these lottery system contracts with, as well as each

individual start date as well as expiration date, on page 23 of their annual report. Non-U.S. jurisdictions are provided immediately afterward.



Lottery Product/Service Category [International Game Technology PLC 2018].

Machine Gaming

International Game Technology PLC's Machine Gaming business segments are all about slot machines, including their design, development, manufacturing, and distribution.

This includes not only the physical hardware such as the slots cabinets but also the electronic systems as well as the operating software with its game theme.

They offer slot machines worldwide under various types of contracts, including:

- fixed fee
- participation
- product sales

Overall, IGT PLC has more than 450 global gaming licenses. Some of their largest customers include MGM Resorts International, Caesars Entertainment, Boyd Gaming, and Station Casinos.

The primary competitors of IGT PLC in the Machine Gaming business segment are:

- [Scientific Games Corporation](#)
- [Aristocrat Leisure Ltd.](#)

- [Konami Digital Entertainment Inc.](#)
- [Novomatic Group of Companies](#)

IGT PLC attempts to offer land-based casinos a wide range of slot machine choices. Their intent is to offer choices that include maximum functionality, flexibility, and player comfort.

These casino games come in two varieties: premium games such as wide-area and multi-level progressives as well as core games including core video reel, core mechanical reel, and core video poker.

Wide-area progressives are linked across several casinos with a single large jackpot. These progressive slots may well be linked across different gaming jurisdictions, e.g., two or more U.S. states. Multi-level progressives are linked together within a single casino itself.

Other types of machine games offered are:

- Class II bingo-style electronic gaming machines as found in some American Indian tribal casinos
- “Centrally Determined” games connected to a central server, which I have discussed so often in my posts regarding winning slots strategies
- Live dealer electronic table games, including baccarat and roulette
- Video Lottery Terminals (VLTs), VLT central systems, and VLT game themes

Finally, IGT PLC’s Machine Gaming business segment offers game content providing player appeal and entertainment as well as gaming management systems for all areas of casino management.

These gaming systems products including “infrastructure and applications for casino management, customer relationship management, patron management, and server-based gaming.”

On page 27 of IGT PLC 2018 annual report is what I point to when anyone asks me about my offering winning slots strategies for slot machine casino gambling. Elsewhere, in detail, I discuss those winning strategies effectively describing how to take advantage of these casino operating systems.

Here are the relevant two paragraphs:

“The Company’s patron management solutions feature customized player messaging, tournament management, and integrated marketing and business intelligence modules that provide analytical, predictive, and management tools for maximizing casino operational effectiveness. The server-based solutions enable electronic game delivery and configuration for slot machines, as well as providing casino operators with opportunities to increase profits by enhancing the players’ experience, connecting with players interactively, and creating

operational efficiencies.”

“The Company's latest multi-functional end-to-end systems solutions provide operators with a full suite of products that offer real time business analytics to optimize productivity and give players a seamless, customized gaming experience. Service Window enables operators to market to customers more effectively by leveraging an additional piece of hardware onto existing machines for delivering in-screen messaging. The Company's systems portfolio also extends to encompass mobile solutions such as the Cardless Connect™ app, which offers a cardless, cashless loyalty solution for casino players. Mobile solutions that drive efficiencies and enable floor monitoring for operators while decreasing response time to player needs include Mobile Host, Mobile Responder, and Mobile Notifier.”

In the first paragraph, note the statement “...providing casino operators with opportunities to increase profits by ... creating operational efficiencies.” That statement is saying that the casino is able to operationally improve profits by being able to control the slot machine’s odds.

Note that they specifically use the word “profit”. If they meant “play”, then they would have used that word instead. They didn’t. By that single word choice, they are stating it is not their intention to get a slot machine to be played more by changing its display.

No. What they are saying is that they are changing the odds of winning to make more profit, more efficiently. So, that means they are controlling the slot machine’s odds of winning relatively immediately as a day progresses. After all, how else do you control profit except by changing the odds of winning?

This analysis is supported by the second paragraph quoted from p. 27 of the annual report. Here, they are stating they offer real-time business analytics to casino operators.

In the first paragraph, they strongly imply they can control the odds of winning remotely. In the second paragraph, they precisely state that their systems offer the real-time ability to monitor actual play results.

Wow. Just ... wow.



Machine Gaming Product/Service Category [International Game Technology PLC 2018].

Sports Betting

International Game Technology PLC has a Sports Betting business segment, primarily in Italy and the rest of Europe but also in the U.S. It doesn't say the U.S. is currently a primary market for sports betting.

That wording will quite likely undergo a shift in the next year or two as more and more U.S. states finalize their sport betting regulations.

Interactive and Social Gaming

International Game Technology PLC has an Interactive and Social Gaming business segment. Interactive gaming is also known as iGaming, which is real money gameplay via the internet.

Social gaming is also played on the internet but is only for fun. This means it may cost real money to play it, but no real money is generated or returned to the player as a result of gameplay.

In-game money may be generated, yes. But, no take-home real money is every generated. If it was, it wouldn't be social gaming but instead be interactive gaming.

IGT PLC has more than 20 interactive gaming licenses worldwide. In Italy, it acts as a mobile casino operator for interactive gaming.

IGT PLC also does business with other businesses in the interactive gaming business segment, which is currently intensely competitive. For instance, they are launching their premium brands across various interactive sites and multiple mobile platforms.

As part of this business-to-business aspect, IGT PLC is offering cross-selling and up-selling options to other businesses while players are actively engaged in interactive gaming. This approach apparently leads to effective promotions via in-app purchases.

As an aside, have you seen or read the book Ready Player One? If so, do you remember the business plan of IOI if they managed to get control of the Oasis gaming environment? Welcome to the future, I guess.



Interactive and Social Gaming Product/Service Category [International Game Technology PLC 2018].

Commercial Services

International Game Technology PLC has a Commercial Services business segment. With this, they develop technologies which allow the lottery operators they work with to themselves offer commercial services.

This is done primarily outside of the U.S. and Canada.



Commercial Services Product/Service Category [International Game Technology PLC 2018].

Summary of International Game Technology PLC 2018

International Game Technology PLC is the world's largest end-to-end gaming company. Besides developing and manufacturing all aspects of slot machines, it provides decade-long contracts for the lottery systems in 25 U.S. states.

Of special interest to slots players is the casino management software systems they offer to casino operators. In this annual report, they specifically offer to casino operators the advantages of a central computer system to control slot machines.

With the ability to control slot machine odds remotely, alongside providing real-time business

analytics, IGT PLC's systems allow casino operators everything they need to finely control their daily or more-than-once-daily financial performance metrics.

But, in my experience, they're simply not aware of the winning patterns that emerge when casino operators employ this casino cost-saving software.

However, a savvy slots player such as yourself can see the patterns or can be trained to see them with my careful explanations of what to watch for, and subsequently take advantage of them when they do emerge.

Related Articles from Professor Slots

1. [Winning Strategy 1: Only Win Immediately](#) – Winning strategies exist, and the first of 7 I've discovered for newer-style casinos is called Only Win Immediately. Prior content has laid the foundation to make winning strategies possible to explain and be understood. Winning at slots is a thinking person's game, not just simply a matter of blindly pushing a button.
2. [Winning Strategy 2: Progressive Slot Machines](#) – Realistic winning strategies also exist for playing progressive slot machines, and are fully explained here. Progressive slots, including machines you've seen having both Major and Minor jackpots, have become so popular they can be up to 30% of the slots available within a casino. But, how can you win when playing them?
3. [Winning Strategy 3: Earning Complimentary Gifts](#) – The most common winning strategy for slots enthusiasts is earning complimentary gifts, from free slot play for signing up for a new players club to a 1-year lease on a luxury car. Whether you are a low or high roller, these "comps" are a great way to be compensated. However, just remember to pay income taxes on them!
4. [Winning Strategy 4: Special Events Winning Advantages](#) – Casino special events have a winning strategy associated with them, with the financial result of improving your overall gambling performance. Both the advantages as well as some difficulties of this approach are provided, including a practical need to visit the casino well before breakfast early the day after the event.
5. [Winning Strategy 5: Reliable Holiday Patterns](#) – A special kind of casino special event are reliable holiday patterns, when the crowds that show up at most casinos on major, and not so major, holidays dwarf those typical special events. Like casino special events, holidays have an associated winning strategy having the financial result of improving your gambling performance.
6. [Winning Strategy 6: 3 Easy High Limit Slots Tricks](#) – Winning slots strategy #6 is provided as one of 3 easy high roller slots tricks. Here, three different winning slots strategies are relatively quickly and therefore inexpensively applied within a casino's high limit slots area as a way to optimize them for a larger payout than can typically be found on lower limit slots.

7. [Winning Strategy 7: Win, Walk Away, Return Later](#) – Winning strategy #7 is my own best personal slots strategy I first used to win jackpots and cycle bankrolls for players club rewards points. With it, you'll sync your own slots gambling sessions to a specific casino's operating rhythm for a week. Win, walk away, return later. One week later, that is, for better winning odds.