

INTERNATIONAL GAME TECHNOLOGY

Form 10-Q

February 05, 2014

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 28, 2013

(Presented as December 31, 2013)

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number 001-10684

International Game Technology

(Exact name of registrant as specified in its charter)

Nevada

88-0173041

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6355 South Buffalo Drive, Las Vegas, Nevada 89113

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (702) 669-7777

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares outstanding of each of the registrant's classes of common stock, as of January 31, 2014:  
246.7 million shares of common stock at \$.00015625 par value.

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## GLOSSARY OF TERMS AND ABBREVIATIONS (as used in this document)

Fiscal dates -- actual:  
 December 28, 2013  
 December 29, 2013  
 September 28, 2013

Fiscal dates--as presented:  
 December 31, 2013  
 December 31, 2012  
 September 30, 2013

Abbreviation/term	Definition
AOCI	accumulated other comprehensive income (loss)
APIC	additional paid-in-capital
ASP	average sales price per machine unit
ASU	Accounting Standards Update
5.35% Bonds	5.35% fixed rate notes due 2023
5.5% Bonds	5.5% fixed rate notes due 2020
7.5% Bonds	7.5% fixed rate notes due 2019
bps	basis points
CEO	chief executive officer
CFO	chief financial officer
DAU	Daily Active Users
DCF	discounted cash flow
DoubleDown	Double Down Interactive LLC
EBITDA	earnings before interest, taxes, depreciation, and amortization
EPS	earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GAAP	generally accepted accounting principles
IGT, we, our, the Company	International Game Technology and its consolidated entities
IGT rgs <sup>®</sup>	IGT Remote Game Server <sup>®</sup>
IP	intellectual property
IRS	Internal Revenue Service
LBG	Lightning Box Games Pty
LIBOR	London inter-bank offered rate
MAU	Monthly Active Users
MDA	management's discussion and analysis of financial condition and results of operations
pp	percentage points
R&D	research and development
SEC	Securities and Exchange Commission
SIP	2002 Stock Incentive Plan
SG&A	sales, general and administrative
UK	United Kingdom
US	United States
UTBs	unrecognized tax benefits
VIE	variable interest entity
VWAP	average daily volume weighted average price
VLT	video lottery terminal
WAP	wide area progressive
WMS	WMS Gaming, Inc.
Yield	average revenue per unit per day
*	not meaningful (in tables)



PART I – FINANCIAL INFORMATION

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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions except per share amounts)

First Quarters Ended December 31,	2013	2012
Revenues		
Gaming operations	\$223.0	\$242.6
Product sales	243.6	234.8
Interactive	74.6	52.9
Total revenues	541.2	530.3
Costs and operating expenses		
Cost of gaming operations	86.8	89.5
Cost of product sales	116.7	109.2
Cost of interactive	27.9	22.1
Selling, general and administrative	117.8	100.2
Research and development	60.3	54.4
Depreciation and amortization	16.7	19.0
Contingent acquisition-related costs	11.3	17.5
Total costs and operating expenses	437.5	411.9
Operating income	103.7	118.4
Other income (expense)		
Interest income	10.1	11.3
Interest expense	(36.4 )	(31.7 )
Other	(1.9 )	(0.3 )
Total other income (expense)	(28.2 )	(20.7 )
Income before tax	75.5	97.7
Income tax provision (benefit)	(3.7 )	32.4
Net income	\$79.2	\$65.3
Other comprehensive income (loss)		
Foreign currency translation adjustment	(2.3 )	3.4
Unrealized gain (loss), net of tax	(0.2 )	-
Comprehensive income	\$76.7	\$68.7
Basic earnings per share	\$0.31	\$0.25
Diluted earnings per share	\$0.31	\$0.24
Cash dividends declared per share	\$0.11	\$0.07
Weighted average shares outstanding		
Basic	252.6	265.9
Diluted	255.3	267.9

See accompanying notes