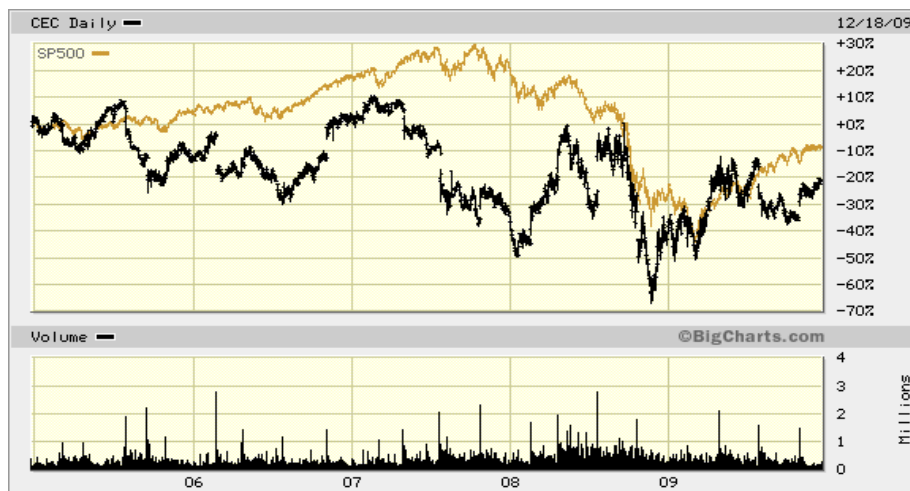


CEC Entertainment Inc. (CEC) 12/19/09

CEC operates in the restaurant and entertainment industry through its Chuck E. Cheese stores. The company operates its stores on a franchise model and has locations throughout the US and Canada. Approximately 60% of CEC revenue is generated through sales of food and beverage and the remaining 40% through entertainment. CEC was founded in 1980 and headquartered in Irving, Texas.

Current Price	\$32.01
52 Week High	\$34.77
52 Week Low	\$19.29
One Yr Target	\$36.50
Market Cap (in billions)	\$0.71
P/E (Trailing)	12.26
P/E(1 Yr Forward)	11.33
P/E/G	0.96
ROA	7.91%
ROE	37.46%
EPS	\$2.61
Beta	0.17
Annualized Dividend	\$0.00
Dividend Yield	0.00%
Analyst Consensus	2.00
Debt to Equity	3.25



Annual EPS

2005	\$2.07	
2006	\$2.12	2.11%
2007	\$2.10	-0.72%
2008	\$2.49	18.52%
2009E	\$2.61	4.87%

Annual Revenue (in millions)

2005	\$726.17	
2006	\$772.55	6.39%
2007	\$785.32	1.65%
2008	\$814.51	3.72%

Annual Net Income (in millions)

2005	\$69.67	
2006	\$68.26	-2.02%
2007	\$55.92	-18.08%
2008	\$56.49	1.02%

Free Cash Flows (in millions)

2005	\$43.36	
2006	\$33.79	-22.07%
2007	\$53.67	58.83%
2008	\$56.39	5.07%

Required Rate of Return

5.40%

Dividend Growth Model

Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

Expected Annualized Return Model

Present Value of 2014 Price	\$43.68
Holding Period Return (5 years)	6.37%

Residual Income Model

Intrinsic Stock Price	\$45.89
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Analysis

Positives

Low PEG ratio with a high ROE suggests stock price may be a value right now

Stock carries a very low Beta which suggests it is less risky than the overall market

Negatives

Financial Statements

Income Statement is ok, Revenues are good but Operating and Interest Expense are hurting

Good Balance Sheet, have been increasing lots of Debt lately but also increasing Treasury Stock

Cash Flows are stable and good, surprisingly has a lot of Capital Expenditures

Industry Analysis

Company is one of the few in its industry that operates in its niche market, a positive sign

Restaurants & entertainment should rebound as people return to having more disposable income

Summary

CEC seems to be a decently good company and a solid enough stock. It has good financial ratios, especially the low PEG and very low Beta numbers. Its financial statements are good for the most part, yet it has been increasing its amount of Debt lately. The outlook from CEC management is good as same store sales were up from the previous year and they are looking to expand into new stores by the tens in future years. CEC has appropriated around \$240 million for its stock repurchase program, about 40% of outstanding market-cap. The company stands alone as the only public corporation in its niche market yet faces indirect competition from combinations of food and entertainment (i.e. Pizza Hut and Netflix). CEC's bottom line faces concerns from increasing commodity prices that go into making its food (dairy, wheat). CEC as a stock should see almost certain appreciation in the coming years but doesn't have as much upside as some other companies. That said it also doesn't face much downside either, as noted by its low Beta. CEC could be a buy for those seeking an almost sure return but will be sacrificing growth speculation from other stocks, which more risk-loving investors would prefer.