

Should You Be a Buyer of Amaya Inc. Following its Record Q4 Results?

Description

Amaya Inc. ([TSX:AYA](#)), one of the largest gaming and online gambling companies in the world and the company behind brands such as PokerStars and Full Tilt Poker, announced record fourth-quarter earnings before the market opened on March 31, and its stock has responded by jumping over 8%. Let's take a closer look at the quarterly results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

The record-setting results

Here's a chart of Amaya's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Adjusted Earnings Per Share	\$0.42	\$0.12
Revenue	\$368.64 million	\$37.08 million

Source: *Financial Times*

In the fourth quarter of fiscal 2014, Amaya's diluted adjusted earnings per share increased 250% and its revenue increased 894.1% compared to the same quarter a year ago. The company noted that these very strong results could largely be attributed to its US\$4.9 billion acquisition of Rational Group, the parent company of PokerStars and Full Tilt Poker, which was completed in August of 2014.

Here's a quick breakdown of five other notable statistics and updates from the report compared to the year-ago period:

1. Adjusted net earnings increased 670.5% to \$85.74 million
2. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 826.8% to \$154.66 million
3. Adjusted EBITDA margin contracted 300 basis points to 42%
4. Cash flow from operating activities increased 1,732.5% to \$55.76 million
5. Total assets increased 1,525.8% to \$7.17 billion

Amaya also provided its outlook on fiscal 2015, calling for the following performance:

- Adjusted net earnings in the range of \$367-415 million, an increase of 153.1-186.2% from fiscal 2014
- Adjusted diluted earnings per share in the range of \$1.77-2.00, an increase of 152.9-185.7% from fiscal 2014
- Revenues in the range of \$1.62-1.74 billion, an increase of 135.5-152.9% from fiscal 2014
- Adjusted EBITDA in the range of \$670-715 million, an increase of 128.7-144% from fiscal 2014

Does Amaya belong in your portfolio?

Even after the large post-earnings pop in Amaya's stock, I think it represents a great long-term investment opportunity. I think this because the stock still trades at attractive valuations, including just 17.3 times the company's median earnings per share outlook of \$1.89 for fiscal 2015, which is very inexpensive compared to its long-term growth potential.

With all of the information provided above in mind, I think investors should strongly beginning to scale in to long-term positions in Amaya today.

CATEGORY

1. Investing

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