



Is Amaya Inc. the Top Growth Stock in the Gaming Industry Today?

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, announced first-quarter earnings results before the market opened on May 14, and its stock has responded by rising over 5% in the trading sessions since. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

The results that ignited the rally

Here's a summary of Amaya's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Adjusted Earnings Per Share	\$0.41	(\$0.01)
Revenue	\$340.13 million	\$12.84 million

Source: Amaya Inc.

In the first quarter of fiscal 2015, Amaya reported an adjusted net profit of \$82.47 million, or \$0.41 per share, compared with an adjusted net loss of \$1.29 million, or \$0.01 per share, in the same quarter a year ago, as its revenue increased 2,548.6% to \$340.13 million. The company noted that these very strong results could be primarily attributed to its acquisition of Rational Group, the parent company of both PokerStars and Full Tilt, which closed in the third quarter of fiscal 2014.

Here's a breakdown of five other notable statistics from the report compared with the year-ago period:

1. PokerStars' estimated share of the online poker market expanded 400 basis points to 66%
2. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased \$138.49 million to \$140.34 million
3. Adjusted EBITDA margin expanded 2,680 basis points to 41.3%

4. Cash flows from operating activities increased \$78.76 million to \$79.33 million
5. Ended the quarter with \$371.65 million in cash, a decrease of 12.6% from the beginning of the quarter

Should you buy shares of Amaya today?

The first quarter was very impressive for Amaya, so I think the post-earnings pop in its stock is warranted. I also think the stock could continue higher from here. It still trades at attractive valuations, including just 17 times its median earnings per share outlook of \$1.89 for fiscal 2015 and only 12.9 times analysts' estimated earnings per share of \$2.50 for fiscal 2016, both of which are very inexpensive compared with its long-term growth potential.

I think Amaya's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of \$37.75 by the conclusion of fiscal 2015 and around \$50 by the conclusion of fiscal 2016, representing upside of more than 17% and 55%, respectively, from today's levels.

With all of the information provided above in mind, I think Amaya represents the top growth play in the gaming industry today. Foolish investors should take a closer look and consider beginning to scale in to positions.

CATEGORY

1. Investing
2. Stocks for Beginners

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Date

2025/10/01

Date Created

2015/05/25

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