



Why Amaya Inc. Is Surging

Description

On Wednesday evening, **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) announced that its flagship online poker brands Pokerstars and Full Tilt Poker had received regulatory approval to operate in New Jersey. In response, Amaya's shares surged by 24% the following day.

Usually when a business expands to New Jersey, its shares don't react so dramatically. So, why is this such a big deal for Amaya? And is this only the beginning? We take a look below.

A refresher

Prior to 2011, Pokerstars and Full Tilt Poker were both operating in the United States, in what was seen as a violation of the Unlawful Internet Gaming Enforcement Act of 2006. Then in mid-April of that year, a date known in the poker community as "Black Friday", the two sites were shut out of the United States for good. On top of that, the founding members of Full Tilt were indicted on fraud charges.

The whole affair has left a bad taste in everyone's mouth, but a lot has happened since then. First, Pokerstars bought Full Tilt, bailing out the latter company. Then last year Amaya bought Pokerstars for US\$5 billion. It was a huge win for Amaya, especially since the Canadian company had never antagonized authorities in the United States.

Investors were hopeful that the company could bring Pokerstars and Full Tilt back into the lucrative American market. Its stock price jumped over 40% the next day.

Fast forward to today, and this is the first foray back into the United States for Pokerstars and Full Tilt. Investors are hoping there will be more to come.

Where do we go from here?

Two other states—Delaware and Nevada—have legalized online gambling, so they will certainly be the next targets for Amaya. Pokerstars had tried to enter these states in prior years, but was rejected because of its past behaviour. Amaya is hoping the states will be more receptive now that Pokerstars has been bought out, just like New Jersey was.

And several other states may be on the verge of legalizing online gambling, including California and New York. Clearly, there is sky-high potential for Amaya.

That being the case, there is a big potential pitfall: the Restoration of America's Wire Act (RAWA), a bill that would override any states that legalize online gambling.

RAWA is supported by casino magnate Sheldon Adelson, a very powerful figure in the Republican Party. But RAWA is opposed by tea party groups, Democrats, constitutionalists, and even parts of the pro-gun lobby, who don't like to see states' rights infringed upon. RAWA has little chance of gaining traction, much less becoming law.

Should you buy Amaya?

Amaya is very expensive based on traditional financial metrics, but that is understandable given the company's growth possibilities, including expansion in the United States. This stock may very well be worth a small bet.

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Date

2025/07/22

Date Created

2015/10/05

Author

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