

Amaya Inc. Is a Steal at Present Day Prices

Description

Things have been rather hectic for **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) over the past year. In November the stock plummeted 30%, resulting in many investors questioning whether or not this tech stock was worth the investment. For those who have held out—or those who are thinking about buying—I think that Amaya is a steal at these prices.

Amaya is a technology company that focuses on gaming and interactive entertainment. In other words, it is an online gambling company that owns brands such as PokerStars and Full Tilt Poker. Amaya controls 70% of the online poker market.

But Amaya is more than just online poker. It launched a series of casino games, such as slots, which the company has been growing aggressively. In Q3 2014 it generated US\$3 million from this division. Fast forward to the most recent quarter and the division made US\$36 million in revenue. I anticipate that this growth will continue as more people learn about the games.

Amaya is also heavily investing in sports in two ways.

The first way is through daily fantasy sports. Amaya runs the fifth-largest operation in the world. What this allows you to do is play daily fantasy games for cash prizes. So you could build a hockey team and go up against other people; whoever has the most points at the end of that night's game wins the money.

The second way Amaya is investing in sports is through online sports betting, which the company expects to launch in 2016. This could be one of the largest markets for Amaya. In 2011 it was estimated that people gambled US\$12 billion on college basketball's March Madness. Because there aren't a lot of legal ways to gamble on sports, US\$9 billion of that was through illegitimate ways.

Negatives of Amaya

But there are negatives to investing in Amaya, which explains why the stock is as low as it is.

Despite it being based out of Montreal, it reports its results in U.S. dollars. On top of that, the majority of its revenue is in euros. Therefore, converting from euros to dollars hurts the company because the U.S. dollar has gotten so strong. This made the previous quarter look weak.

Another negative is the reality that online gambling is illegal in the United States. While there are certainly pushes to change this with many states realizing that there is serious tax revenue to be had, there are still politicians that continue to push for prohibition on online gambling. Until these laws get overturned, Amaya won't truly be in overdrive as an investment.

Finally, to help pay down US\$2.3 billion in debt, Amaya has talked about issuing US\$3 billion in common shares within the next 24 months. This would severely dilute investors. The problem for Amaya is that its debt is in U.S. dollars, so if the dollar keeps getting stronger, that debt becomes even

more burdensome.

I would still buy...

The thing is, despite all of this, I would still buy. The stock has plummeted after the bad quarter and the announcement that the company could potentially raise further funds. If its sports-betting division takes off, I expect that Amaya will continue to generate growing revenues each quarter. And when the United States does finally overturn the online gambling prohibition, Amaya will be in a place to dominate.

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Date

2025/08/25

Date Created

2015/12/31

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