



## Does Amaya Inc. Have 100% Upside?

### Description

In 2010 **Amaya Inc** ([TSX:AYA](#))(NASDAQ:AYA) went public and raised only \$35 million. As a small-time technology provider to just a handful of casinos, the company needed to undergo massive changes to become the \$2.2 billion industry behemoth it is today. After six years and billions in acquisitions, Amaya is now a leader in the online gambling industry. It owns reputable brands such as PokerStars, Full Tilt Poker, BetStars and StarsDraft.

While the company has needed to sell stock to fund the acquisitions, shares were up over 500% in 2014. Last year, however, Amaya stock sank 50%, even though prospects for the company appear solid.

Have Amaya shares entered value territory?

### Major market leader

In 2014 Oldford Group agreed to sell its online poker brands PokerStars and Full Tilt Poker to Amaya for \$4.9 billion in cash. The acquisition made Amaya the world's largest online gambling company with a 68% global market share in online poker. Its closest competitor is roughly 90% smaller, allowing Amaya to leverage its scale and brand with ease. In 2015 the company was able to increase its market share to a dominant 71% with over 97 million users.

Amaya's brands also have some of the most loyal bettors in the industry: 92% of members continue to bet 12 months after registration, and over half of users have been active since 2010. Having a dominant and reputable presence in a growing market seems incredibly valuable.

### Industry is taking off

While the U.S. still has some restrictions on online gambling, the global market is lucrative enough to attract billions in spending. According to data collected by H2 Gambling, the online poker market grew 7% to \$4.5 billion last year. But this growth is just the beginning. By 2018 spending is expected to nearly double to \$6.8 billion.

According to H2 Gambling, "PokerStars is the global leader. They've dominated the world in online poker and the U.S. is the next big growth opportunity." This means Amaya is best positioned to benefit from this growing market. If the company can manage to take a similar share of impending new market growth, earnings could easily pop over 50%.

### **Insider buying**

This month director Dave Gadhia purchased 7,500 shares for roughly \$130,000. It's little surprise why. Earnings estimates for 2017 average roughly \$3.00 a share, meaning shares trade for less than six times next year's earnings. Consensus estimates have a one-year price target of over \$40, implying 100% upside.

With a rock-bottom valuation, a growing industry, a dominant market position, and insider buying, investors are getting a bunch of green lights that indicate that Amaya stock is a buy.

### **CATEGORY**

1. Investing
2. Tech Stocks

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