

Amaya Inc. Looks Better and Better Every Day

Description

If we look at the richest people in the world, we see three types of people: founders of massive companies, hedge fund managers who took other people's money and invested it, and venture capitalists. The reason why venture capitalists are some of the richest people in the world is because they invest in companies before the market recognizes that industry.

In my opinion, **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) is in a sector that is still in an early stage, so the markets don't recognize the potential. And with the significant drop in price due to currency issues and an overall bearish market sentiment, Amaya has been going lower, making it look better and better as an investment.

Amaya is an online gambling company. It started out as a small tech company offering services to casinos. However, it pivoted and became a gambling game provider. In 2014 it bought PokerStars and Full Tilt Poker for \$4.9 billion in cash, which gave it a 68% market share in online poker. A year later, that had grown to 71%.

It has also launched a series of casino games, such as slots, which the company believes will generate significant returns on investment. In Q3 2014, those games made US\$3 million. During the most recent quarter those same games made US\$36 million. That is a significant increase in a little over a year.

Further, the company has seriously high ambitions and is expanding into sports. The company expects to launch its online sports-betting division sometime this year, which has the potential to be the largest product the company offers. Consider that in 2011 it was estimated that people gambled US\$12 billion on March Madness. Because there are no widespread legal options in the United States, it's believed that US\$9 billion of that was done illegally.

Another sports business that Amaya is getting involved in is daily fantasy sports. Rather than building a fantasy team for the entire season, you build them daily based on who is playing and compete against other people. The winners get the bulk of the pot, but the house gets their cut. Amaya runs the fifth-largest operation in the world.

The facts are simple ... people like to gamble online, which makes perfect sense since we do pretty much everything else online. According to research by H2 Gambling, the amount spent globally for online poker was US\$4.1 billion in 2013. That is expected to catapult to US\$6.8 billion by 2018. Amaya owns 71% of the market share.

And that doesn't take into consideration the United States, which is slowly warming to the fact that online poker is a revenue generator. There are already some states that are legalizing online poker, and judges are suggesting that poker is a game of skill rather than chance. If that argument goes through, I expect many states to legalize online poker, which could add billions to the yearly global market.

Fundamentally, Amaya has been beaten down. But its CEO is buying, and I believe you should be

buying, too. Be an early investor and ride this growing market. If it succeeds, the rewards will be bountiful.

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