



## Is it Pocket Aces for Amaya Inc.?

### Description

Things are starting to get interesting for **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA), which should have investors very excited. And if everything goes accordingly, the company might have pocket aces, ensuring success no matter which way things go.

The stock is up considerably over the past few weeks on rumours that David Baazov, the CEO of the company, is looking to take it private with a bid of \$21 per share. Based on the present price of \$18.65 per share, that's a decent return of close to 12% if the sale goes through. However, something to consider whenever the CEO looks to take a company private is that whatever they're paying, it's less than what they value it at.

But even if Baazov doesn't purchase the company, it doesn't mean that Amaya couldn't get bought by someone else. According to an article in the *Financial Post*, analysts expect that if the shareholders view the company as being more valuable than \$21 per share, they'll demand more from Baazov. This could create an environment where another big company could offer to buy Amaya.

Those are two instances where investors would get a relatively quick return on investment. However, my hope is that Amaya stays public because the future of this company is particularly bright.

Here's the third ace.

Amaya runs some of the largest online poker brands. In 2014 it bought PokerStars and Full Tilt Poker for \$4.9 billion in cash. By 2015 its market share was 71%. Building on this success, Amaya has launched a series of casino games, such as slots. In Q3 2014 these games made US\$3 million. In the most recent quarter those same games made US\$36 million.

Amaya believes that a significant amount of gambling and gaming will be done online. One area that is flush with cash is sports. In 2011 it is estimated that US\$12 billion was spent gambling on March Madness, which is an event that takes place for just a few weeks. Due to the lack of legal options, US\$9 billion of that was done under the table. Amaya intends to launch its own online-sports-betting division this year.

Further, it runs the fifth-largest daily fantasy sports operation in the world. The way this works is that people build fantasy teams for the games that are going to take place that day. The winners get the bulk of the pot and Amaya takes a cut.

The facts remain that people want to gamble online. According to H2 Gambling, there was US\$4.1 billion spent in online poker in 2013. This is expected to increase to US\$6.8 billion by 2018. Consider that Amaya runs the largest sites and the amount of revenue the company can make becomes very obvious.

The reality is simple. Amaya could be taken private by Baazov, which would result in a return of approximately 12% if you bought shares today. It could also be bought by someone else, which could result in a bidding war, thus increasing your ROI. But in my eyes, the best bet would be for Amaya to stay public and grow over the coming years.

But the way I see it, you can't go wrong either way.

## CATEGORY

1. Investing
2. Tech Stocks

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## Date

2025/08/23

## Date Created

2016/02/17

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