



Amaya Inc. Prepares for New Jersey Re-Entry Amid Continued Controversies

Description

There has been no shortage of news regarding **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) of late. The company is in the process of appealing a court case in Kentucky, is preparing to enter the New Jersey market, and has been the subject of recent talks that could potentially see the company go private or be sold.

That's a lot of news that could send the stock in either direction. Let's take a look at each and see what the impact is to shareholders.

Amaya vs the Commonwealth of Kentucky

Back in 2010, prior to Amaya owning the PokerStars brand, a lawsuit was initiated by Kentucky to seek recovery of losses for the state's residents who played and lost money during the 2006-2011 time frame.

The initial ruling was a US\$290 million award and has since been trebled by the judge. From Amaya's standpoint, the initial US\$4.9 billion price Amaya paid for PokerStars included a \$300 million allocation for the case.

The absurd part is that PokerStars generates a minuscule US\$18 million from Kentucky, so the ruling of \$870 million is way out of context. Amaya filed a notice of appeal on that decision this week, and there's surely going to be more news about this case in the coming months.

At this point, the court case has had little impact on the stock price. After the initial ruling, the stock did take a hit, and the decision is arguably already priced into the stock. Should the appeal be favourable to Amaya, expect the price to shoot upwards.

Re-entry to New Jersey

Last year Amaya received approval to allow New Jersey residents to play Amaya's online gambling games. That approval came with a bunch of conditions, such as tying the game to casinos in New Jersey and limiting the play to only those in New Jersey.

Amaya appears to have met all of those conditions and is ready to pull the switch and allow the citizens of the Garden State to gamble online with a date tentatively set for this March.

For shareholders, this means a new source of revenue that could prove very lucrative. There are other states lined up to get approval, and each of these could bring tens of millions more revenue for the company.

Buy-out rumours

Chief Executive David Baazov has been pondering a plan to take the company private in a \$2.8 billion bid that would turn Amaya into a private business. It could be an appealing option as there would be fewer obstacles to prevent the company growing.

Regulatory hurdles would lessen, and the company's valuation would not be constantly in fluctuation based on the emotions of shareholders and the portrayal of the company by the media.

It is an appealing option, but that \$2.8 billion is assuming that the company is worth \$21 per share. As recently as November, the company was trading north of \$30 but dropped sharply after Amaya announced weak results for the year. Since Baazov announced his intent, the stock has surged 30% to the current level of \$19.

Whether or not the sale will occur is something that will be revealed in the coming days or weeks. If the sale does go through, the company will be less tied to the public eye and will be able to grow at a greater rate. If the sale does not go through, the company will still grow, particularly if approvals from other states that allow residents to gamble are passed, but then Amaya will be subject to greater scrutiny.

A wait-and-see approach is probably best at this time for shareholders.

CATEGORY

1. Investing

Category

1. Investing

Date

2025/08/02

Date Created

2016/02/26

Author

dafxentiou

default watermark