

Amaya Inc.: This Is Only the Beginning

Description

Amaya Inc. ([TSX:AYA](#))(NASDAQ:AYA), best known as the owner of online poker giant PokerStars, reported very strong earnings for the fourth quarter of 2015. We'll look at the top three takeaways from the results below.

1. Growing casino and sportsbook

Amaya is generating plenty of headlines with its attempted re-entry into the United States, but its sportsbook and casino offerings are even more promising growth opportunities. We're already seeing plenty of progress. In the fourth quarter, casino and sportsbook accounted for 17% of Amaya's total revenue, up from 3% a year earlier. During the first two months of 2016, that ratio increased to 21%.

Looking ahead, you should expect that ratio to increase further. Amaya still has more sports to roll out for its betting franchise, and there are more casino games to add as well. Furthermore, there are more geographies to roll out. And if that wasn't enough, Amaya hasn't even begun marketing these offerings externally; thus far they have only been cross-sold to existing poker players.

This should get shareholders very excited. After all, casino games such as blackjack, roulette, and slot machines are far more lucrative than poker (just ask any casino in Las Vegas). Better yet, all of Amaya's gambling offerings use a common currency, which should make users even more loyal.

2. A solid core business

Amaya's core poker business has been quite controversial lately, and there were some serious concerns after some disappointing Q3 results. But through it all, the business has held up very well.

The number of unique PokerStars users increased by 0.6% year over year in the fourth quarter, and that's despite a steep drop in the euro, which impacts the purchasing power of PokerStars's largest market. And Amaya's share of the online poker market has inched up to 71%, which is dominating by any standard.

Thanks to PokerStars's overwhelming size, the platform can offer the most games and the biggest tournaments, which is a big advantage over smaller competitors. And it means that the company's lead should be safe.

3. A buyout is still on the table

During his prepared remarks, CEO David Baazov stated that he still intends to offer to take Amaya private. But he didn't give any more details, and said he wasn't allowed to take questions on the matter.

Mr. Baazov originally wanted to submit an offer by the end of February, so why is this taking so long? Well, one possibility may have to do with Amaya's first lien loan, which states that a change in control would constitute a default. This possibility was brought up by analyst Maher Yaghi from Desjardins

Capital Markets, to which Mr. Baazov replied, “You are referencing the right provision, but unfortunately we cannot get into it at this time.”

At this point, anything else regarding Mr. Baazov’s intentions would just be speculation. But even if he doesn’t submit a bid at all, there is still a lot of promise for shareholders. I am glad to be one of them.

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