



## Is Amaya Inc. Still a Good Investment?

### Description

As recently as a few weeks ago, **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) was regarded as one of the best stocks to invest in. Amaya, which serves the gaming and interactive entertainment industry, was pushing the envelope and expanding into more markets.

And then a flurry of news relating to the company's CEO, ongoing legal issues, and potentially going private came to the surface, leaving many investors questioning if the company is still a good investment.

Here's a look at both at both cases for investing in Amaya.

### The case against Amaya

There are a number of issues circling Amaya that could drive the share price down and make investing in the company less than ideal.

For starters, Amaya has an ongoing legal case in a Kentucky court stemming from a long-standing dispute over state residents' losses from the platform. To be clear, the issue at hand pre-dates Amaya actually owning the platform. The case dates back to 2010 when Rational Group still owned the PokerStars Platform.

Amaya bought the platform for \$4.9 billion in 2014, and inherited this case. At the time of the deal with Rational, \$300 million of the sale price was set aside as a cushion to be used to cover the costs of the Kentucky case. The only problem with this? The judge, who initially set damages at \$290 million, trebled the damages earlier this year to \$870 million.

This far exceeds what Amaya has set aside for this case, and the company did say that it would seek recovery from Rational if forced to pay that amount. The case is currently being appealed.

Turning to more recent events, Amaya CEO David Baazov was charged earlier this year with insider trading by Quebec's securities regulator. Upon news of this, the stock price dropped 20%. Baazov has since agreed to step aside, and, while Amaya has not been implicated, the damage has been done to

the stock, hitting existing investors particularly hard.

### **The case for Amaya**

While the stock price did drop 20%, that drop does represent a significant discount that gives new investors an opportunity to enter, or existing shareholders can double down to increase their investment. Even with the stock-price discount factored into the equation, the company is considered by many to be a solid investment option.

Looking at full-year results for 2015, Amaya realized an 8% increase in revenue and an 18% adjusted net earnings increase year over year. In short, the company is healthy and growing.

That growth is another point worth noting. Amaya has a number of approvals pending to allow entry of the company's games into state markets. As new jurisdictions grant permission to Amaya, the number of revenue sources will increase, and total profits and revenues will grow as well. New Jersey became the latest market to open up to Amaya earlier this year. For the cash-strapped states looking at Amaya's potential, tax revenues could be huge.

Finally, Amaya also has revenue coming in from a number of other streams, including sponsorships, live events and branded poker rooms that fall into line with the company's core games. As it stands, Amaya's gets a cut on fees charged at these events, which, given the popularity of fantasy leagues, can be substantial.

### **Is Amaya a good investment?**

In my opinion, Amaya remains a strong opportunity for investors. While the company has had a fair share of bad news, the dip in stock price after each announcement should be seen as an opportunity for investors. As the company is granted permission to enter new markets, new revenue sources will be unlocked that will continue to drive growth in the company for years to come.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **Category**

1. Investing
2. Tech Stocks

### **Date**

2025/08/01

### **Date Created**

2016/04/28

### **Author**

dafxentiou

default watermark