

## Which of Canada's Gaming Stocks Is a Good Gamble for Your Portfolio?

### Description

Many investors love the gaming business, and rightfully so.

It has everything a good capitalist is looking for. The odds on every game in the casino are tilted in favour of the house, which usually ensures healthy profits for the folks running the place. Governments limit the number of casinos that can open, ensuring rational competition exists in the sector. And there's always a healthy demand for games of chance.

But just because it's easy to like the sector doesn't mean investors should run out and blindly buy every gaming company in Canada. Let's take a closer look at the three biggest to pick a potential winner.

### Amaya

**Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) is the owner of the PokerStars and Full Tilt Poker gaming platforms, which combine to own approximately 70% of the world's online poker market.

There's a lot to like about a virtual casino over a physical one. Adding capacity is as easy as installing a few more servers in a basement somewhere. Both PokerStars and Full Tilt are doing so by expanding outside poker to other games like blackjack, slots, and perhaps most importantly, betting on sports.

The company generates plenty of free cash flow with shares trading at approximately nine times trailing free cash flow. And that's after paying big interest charges on the US\$2.4 billion it has in debt.

There's a big reason why shares are so cheap, however. Amaya was caught up in a big insider-trading scandal surrounding its big acquisition of its poker prizes. Then-CEO David Baazov and others in the company are facing charges. Oddly enough, before these charges were made official, Baazov led a proposed bid to take Amaya private at \$21 per share.

These shenanigans are the main reason Amaya shares are trading at below \$20 each and could continue to weigh down shares.

### Gamehost

**Gamehost Inc.** ([TSX:GH](#)) is a small casino operator in Alberta. It owns three casinos, two hotels, and a small amount of other real estate.

The bad news for this company is one of its casinos is located in Fort McMurray, the site of a devastating wildfire earlier this year. While the company's casino wasn't touched by the blaze, it's still shut down approximately two months later. There's no word on when it'll open back up again.

In response to the crisis, the company cut its dividend from \$0.0733 per share each month to \$0.0575.

Shares still yield 7.1% on this new payout—a very generous dividend in a world where GICs pay less than 2%.

One last thing to note: brothers David and Darcy Will, the company's CEO and vice president, respectfully, own more than 40% of outstanding shares. That kind of insider ownership is something investors like to see.

## Great Canadian Gaming

**Great Canadian Gaming Corp.** (TSX:GC) is Canada's largest casino operator with 15 different properties in Canada and three in Washington State. Most of its Canadian properties are located in British Columbia, but it also has casinos in Nova Scotia and New Brunswick.

The company has done a solid job growing its earnings over the years. Free cash flow in 2007 was \$0.74 per share. By 2015 it had more than doubled, coming in at \$1.65 per share. That's growth of approximately 8.5% per year—a solid result.

One potential negative for investors about Great Canadian Gaming is that the company doesn't pay a dividend, choosing to funnel its earnings back towards paying back debt and other expansion projects. The company does have \$215 million in cash on its balance sheet, which means it could easily afford to pay a dividend.

## Which should you choose?

I think the finest choice overall would be Great Canadian Gaming. The company is the clear market leader operating mostly in a province with good economic numbers.

Dividend investors should take a closer look at Gamehost, a company experiencing temporary, fixable problems. Fort McMurray will eventually recover, and the share price should react favourably. Besides, a 7.1% dividend is a nice reward for waiting.

Personally, I'd avoid Amaya, at least for the time being. I like the online-gaming business; I just think it's going to take a while for the insider-trading tarnish to go away.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

## TICKERS GLOBAL

1. TSX:GH (Gamehost)

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