



Why Have Amaya Inc. Shares Surged 17%?

Description

Monday has been a good day for **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) shareholders.

Shares surged as much as 17% on news that former CEO David Baazov has submitted a new offer to take the company private. This offer is for \$24 per share, and this time around Baazov claims he has the ability to fund the offer.

This isn't the first time Amaya's ex-CEO tried to take the company private. Back in February, Amaya announced Baazov had made a bid for the company, valuing it at \$21 per share. That deal didn't really get anywhere since Baazov didn't have the ability to fund the offer.

This time is different, at least according to the former CEO. He's now representing a group of investors who plan to pay \$3.65 billion for the company. Baazov would kick in his \$437 million worth of shares—he owns about 17% of the online gaming giant—and the new company would buy \$1.15 billion of the convertible preferred shares as well as assume about \$2.6 billion worth of debt.

There are other things that look very good about this deal. It's not subject to any due diligence or financing conditions. And if anyone knows Amaya, it's Baazov.

Baazov makes the point that Amaya isn't getting any benefit from being public. It costs millions to have an investor relations department and to maintain listings on both the TSX and NASDAQ. And remember, Amaya has run afoul of regulatory bodies before. The company (and Baazov) are in the process of dealing with Quebec's securities regulator because of a massive insider-trading scandal.

The problem

There's just one big problem: the man making the offer.

Investors have gotten to the point where they don't take Baazov seriously.

Regulators have accused Amaya's ex-CEO of being an important part in the insider trading scandal. They allege he would funnel secrets to his brother Josh, who would then communicate with other

contacts. Payment for the favours would go back to Josh, leaving David tarnish free—at least in theory.

David Baazov didn't help his reputation when he made the first offer in February to take the company private. He hadn't even arranged financing for his bid. Investors treated it as a desperate attempt to inflate the value of his own shares.

I'll give Baazov credit. This offer does look more serious. There are reputable investment companies backing it. But the fact remains that he offered \$24 per share, and shares are currently trading hands at \$21.50. There's a reason for that big gap. Investors are skeptical. And they should be.

The bottom line

Amaya is a great buyout candidate. It generates lots of cash. It operates a mature business, so investors don't have to contribute much back to growing the company. They can use the cash flow to pay down debt.

If anyone else were leading this bid, I think investors would be taking it much more seriously. It's a far better looking offer than the first, but I'm skeptical the buyout will ever happen. In other words, there's a reason why there's such a large spread between the current price and the offer price.

CATEGORY

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Date

2025/07/07

Date Created

2016/11/14

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