



## Amaya Inc. Is Definitely Worth Considering

### Description

**Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) is one of those companies that can really divide people. On one side, there are those that believe it's worth avoiding Amaya because its double-digit year-over-year growth is not sufficient, and the former CEO has been known to do shady things. And there those that see opportunity in online gambling. When it comes to Amaya, I tend to be part of the latter group.

There are many reasons why I'm bullish on Amaya.

The first has to do with regulation. While Europe isn't too much of a problem, the United States is almost entirely devoid of any online gambling primarily because the individual states (and federal government) don't want people doing it. However, a lot has changed since those online gambling laws went into effect; in particular is the reality that many states are dealing with weak budgets.

Online gambling has the ability to generate lucrative tax dollars for the state coffers. For example, New Jersey has allowed online gambling for a few years now. In October, the state collected US\$2.5 million in tax revenue from the casinos legally allowed to operate. I imagine other states will look at numbers like that with a similar hunger and start legalizing online gambling.

Another reason I'm bullish on Amaya is simply because of growth in the industry. In 2003, there was only about \$9.5 billion in gross wins in online gambling revenue. Fast forward to 2015, and that number is now \$40.25 billion. As a percentage of total gambling, that's about 10%. As the "always-connected" generation starts to participate in gambling, are they likely to do it at a casino or from their phone? We do everything else from our phones, so why wouldn't we play poker, slots, or bet on sports?

The third reason I like Amaya is because it's earnings are growing handsomely. Its revenue grew by 10% year over year to US\$270.8 million. While its poker revenue was down by 1% to US\$196.8 million, the casino and sportsbook saw a 69% increase to US\$64.2 million. This is good news because the margins on casino games and its sportsbook are higher than in poker. Its adjusted net earnings were US\$85 million—up 23%.

Finally, Amaya comes built in with a potential out. Its former CEO, David Baazov, is attempting to take the company private because he believes that any positives the company might gain from being public

doesn't offset the scrutiny it faces as a public company. With his group, he's offering \$24 per share, which is quite a bit higher than \$19.32 it closed at yesterday. While I don't like playing arbitrage games, should this acquisition go through, it would be a nice return for many investors.

Fundamentally, I like Amaya because there is so much opportunity. While there is, of course, uncertainty, the fact is, the online gambling market is growing and seeing success with its higher-margin casino games, and I expect the United States to become favourable to online gambling in the coming years.

Amaya looks like a solid opportunity. And if Baazov takes it private, you'll have a quick return that you can put into another great company.

## CATEGORY

1. Investing
2. Tech Stocks

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