



## Amaya Inc.: With the Acquisition Off the Table, What Should Investors Do Now?

### Description

If one thing is certain, **Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) is never boring. When last I covered Amaya, I explained that there were multiple ways to generate a return, one being the US\$4.1 billion offer put forth by former CEO David Baazov to take the company private. He has since taken that offer off the table.

As fellow Fool writer, [Will Ashworth wrote](#), "US\$4.1 billion is a lot of money for anyone, even billionaires. You don't pull off something like this without having your ducks in a row; Baazov certainly did not." In the grand scheme of things, though, I believe this is a net positive for investors. SpringOwl Asset Management, an activist investor, believes the company is worth more than what Baazov was offering, and I agree.

But another reason this is a solid gain for investors is because it's one step closer to Baazov being entirely out of the picture. Amaya needs to focus on its internal growth rather than worrying whether an acquisition is going to take place or not. With Baazov out of the picture (hopefully), Amaya can get back to the real issue: growing the business.

When it comes to Amaya, most of the focus is on it being an online poker company. And that's a fair representation of it primarily because its brands account for 70% of the online poker market. However, while this is the bulk of its business, I believe the future for Amaya is in general casino games and sports betting rather than in poker.

The reason is two-fold. First, the margins are far greater on casino games and sports betting than with poker; second, the sports-betting business is, I believe, on the precipice of mass-regulatory approval. According to a column by Adam Silver, the commissioner of the NBA, "...but some estimate that nearly [US]\$400 billion is illegally wagered on sports each year [in the United States]." I see little reason why people wouldn't happily do that betting right on their phone rather than going to meet with a bookie.

And the sports betting/casino business is already ramping up for Amaya. After three quarters in 2015, it had generated US\$85.8 million in revenue; fast forward to three quarters in 2016, and it had grown by 119% to US\$188.3 million. While it is a small amount of money currently, as more jurisdictions start to

get behind this and other forms of online gambling, I expect there to be significant growth for Amaya.

From a gambling perspective, I think I've only ever played games three times in my entire life. I don't like Amaya because I like to gamble; I like Amaya because a large number of people do. If sports betting in the United States alone is a US\$400-billion-a-year business, then Amaya is in a prime place to benefit from this. Amaya is a tech company that invests in the type of software that will streamline gambling for those who want to play. Quite frankly, I believe it has the potential to be a great tech stock in the coming years, but you have to be willing to play the long game.

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