

## Is it Time to Gamble on These 3 Gaming Stocks?

### Description

Gambling is a good business.

Around the world, millions of people willingly go into casinos on a daily basis, knowing they have a disadvantage versus the house. And yet they still collectively wager billions of dollars, hoping they can be the lucky one and defy the odds.

That right there is a very compelling argument to be on the other side of the action.

Folks like you and me can't just go and open up our own casino. Even hosting a regular Friday night card game is technically illegal if real money is on the line. But we can easily invest in the sector thanks to the stock market.

There are three main gaming stocks in Canada. Here's the case for adding one (or maybe all three!) to your portfolio.

### Amaya

**Amaya Inc.** ([TSX:AYA](#))(NASDAQ:AYA) doesn't operate any physical casinos. It's the owner of PokerStars and Full Tilt Poker, which combine to have a dominant market share in the online poker space. The company has leveraged that position into offering other services, like sports betting and other table games.

In 2014, when the company made the transformational PokerStars/Full Tilt acquisition, there were rumblings that news of the deal got out beforehand to a certain group of well-informed investors. This eventually led to then-CEO David Baazov being charged with insider trading. Baazov denies the charges, and his trial is upcoming.

Now that Baazov has officially left the company and has begun selling his shares, the company can move on to its next challenge. It borrowed a lot of money to buy its two prize platforms, and the debt must be reduced going forward.

The good news is, Amaya generates plenty of free cash flow, which will be applied to the debt. The company generated US\$355 million in free cash flow in 2016, and it has US\$556 million in cash. The debt currently stands at US\$2.4 billion. If everything goes to plan, it can pay down a significant portion of it in just a few years.

Amaya also has another interesting short-term catalyst. It collects most of its revenues in euros, while reporting in U.S. dollars. If the euro strengthens against the dollar — remember, it's currently flirting with a five-year low — then Amaya's results will improve without it doing much of anything.

### Gamehost

It hasn't been a good couple of years for **Gamehost Inc** ([TSX:GH](#)). The owner of three Alberta-based casinos had to deal with the province's economy getting hit. Then it was forced to shut down its property in Fort McMurray as wildfires struck the city.

The company is back in business, and results of late have been solid. It earned \$0.66 per share in 2016, despite the aforementioned issues. That puts shares at just 15.8 times trailing earnings — a reasonable valuation.

In addition, Gamehost pays one of the best dividends out there. The current payout is 5.75 cents per share monthly, which is good enough for a 6.7% yield. As Alberta's economy continues to recover, there's potential for dividend increases as well.

## Great Canadian Gaming

**Great Canadian Gaming Corp.** (TSX:GC) is Canada's largest publicly traded casino operator. It has 20 casinos and racetracks in British Columbia, Ontario, Nova Scotia, New Brunswick, and Washington State.

The company has done a nice job growing in the last few years. In 2014, it had profits of \$63 million on \$447 million in revenue. The top line was \$566 million in 2016 and net income was \$75 million.

Great Canadian Gaming doesn't pay a dividend, choosing instead to funnel its profits into opening new locations and making improvements to existing facilities. It has also been a share-buyback machine, buying back more than six million shares — or close to 10% of total shares outstanding — in 2016.

## The bottom line

Canada has a number of interesting gaming stocks. Amaya gushes free cash flow and is nicely distancing itself from Baazov and his alleged troubles. Gamehost has an exciting dividend and upside potential when Alberta recovers. And Great Canadian Gaming is poised to continue growing while taking care of shareholders in the meantime.

Any of Canada's three top gaming stocks would look good in your portfolio.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

## TICKERS GLOBAL

1. TSX:GH (Gamehost)

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nelsonpsmith

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