

Should You Bet On Great Canadian Gaming Corp. After its 18% Surge?

Description

Shares of **Great Canadian Gaming Corp.** (TSX:GC) soared 17.97% to \$30 on Tuesday following news that the casino operator and **Brookfield Business Partners LP** ([TSX:BBU.UN](#))([NYSE:BBU](#)) won a bid to acquire three large Ontario-based gambling facilities from the Ontario Lottery and Gaming Corporation (OLG). The three facilities included are as follows: the Woodbine-based OLG Slots, the Ajax Downs-based OLG Slots, and the Great Blue Heron Casino.

The three facilities have over 4,000 slot machines with 60 table games and have generated over \$1 billion worth of gross gaming revenue last year. Both Great Canadian Gaming Corp. and Brookfield Business Partners would have exclusive rights to operate the assets for at least 22 years. The deal is expected to close early next year.

Damir Gunja, equity research analyst at TD Securities, believes that the Ontario gaming bundles could generate \$75-100 million worth of EBITDA initially for the two companies, which works out to be approximately \$37-50 million for Great Canadian Gaming Corp. There's also room for EBITDA growth once redevelopments are made to enhance the gaming, entertainment, and hospitality venues.

Is Great Canadian Gaming Corp. a buy after surging almost 18%?

There's no question that the recent deal beefs up the company's portfolio of 20 gaming properties, which include 12 casinos, four racetrack casinos, three community gaming centres, and a bingo hall.

The Richmond, B.C.-based company had over half of its revenues come out of B.C. last year, so the deal adds some geographic diversification to Great Canadian Gaming Corp.'s solid portfolio of assets.

However, after rallying a whopping 18%, I'd say the gravy train had already left the station, and that there's not much value left to be had for investors who were late to the party. Although the three-casino bundle opens doors to opportunities for further long-term growth, I believe all the positive news is already baked in to the stock.

Shares of GC currently trade at a 22.46 price-to-earnings multiple, a 4.5 price-to-book multiple, a 3.2 price-to-sales multiple, and a 10.3 price-to-cash flow multiple, all of which are higher than the company's five-year historical average multiples of 19.8, 2.9, 2.5, and nine, respectively.

Bottom line

Great Canadian Gaming Corp. was clearly a huge winner following its latest deal, but, unfortunately for investors who missed the rally, I don't think there's a great deal of upside left at current levels. Buying shares right now would be a gamble.

If you're still keen on making a bet on GC, then your best bet would be to wait for a significant pullback to more reasonable valuations.

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