



3 Ways to Benefit From GTA Casino Deal

Description

In an effort to modernize its gaming assets, the Ontario Lottery and Gaming Corporation (OLG) has sold the assets and rights to manage three gaming facilities in the Greater Toronto Area to a partnership owned by **Brookfield Business Partners LP** ([TSX:BBU.UN](#))([NYSE:BBU](#)) and **Great Canadian Gaming Corp.** (TSX:GC).

The deal announcement put a fire under both companies' stock prices August 8. Great Canadian Gaming gained 18% and Brookfield Business Partners a more pedestrian 8% return.

Under the terms of the agreement with OLG, not only will the partnership buy the gaming assets of OLG Slots at Woodbine, OLG Slots at Ajax Downs, and Great Blue Heron Casino, it gets the exclusive rights to manage the facilities for the next 22 years. Great Canadian Gaming, which already operates 22 gaming properties in Canada and the U.S., will handle these duties.

Currently, the three casinos generate more than \$1 billion in gross gaming revenue from over 4,000 slot machines and 60 gaming tables. Employing over 2,200 people, the partnership will ensure this number grows over time.

"This development (subject to approvals) and modernization will include integrated property expansions that will enhance the gaming offerings to service the GTA market," the partners said in a press release. "It will also include leading world-class amenities consisting of state-of-the-art conference facilities, hotels and premier entertainment venues."

Cha-ching!

The future potential of this partnership is significant for both the GTA economy and the investors of Great Canadian Gaming (49% ownership interest), Brookfield Business Partners (49% ownership interest), and **Clairvest Group Inc.** ([TSX:CVG](#)), who will own the remaining 2% of the partnership.

The first way to benefit

In October, I [suggested](#) that investors buy Great Canadian Gaming because of its free cash flow yield

of 9.2%. Although it's not a stock for everybody's tastes, its asset-light business model holds significant appeal.

Great Canadian Gaming is up 33.3% over the past 10 months; you might be concerned you've missed the boat. Don't be. It still has a 7.1% free cash flow yield with lots of cash flow growth ahead from both this partnership, other future gaming projects, as well as its existing ones.

If you bought on my recommendation, I'd let the profits ride.

The second way to benefit

Brookfield Business Partners plays the part of investor in this partnership, leaving operations to Great Canadian Gaming. However, that doesn't mean there won't be financial opportunities beyond the gaming itself.

"We are excited to have been selected by OLG to operate the GTA Bundle," said Cyrus Madon, CEO of Brookfield Business Partners. "We look forward to working closely with Great Canadian. We will bring our capabilities in operations, development and retail to the Partnership to deliver expanded gaming options and premier entertainment that will enhance the experience of patrons and contribute to the surrounding communities."

Last April, I'd mentioned that **Loblaw Companies Limited** was smart to sell its gas station assets to Brookfield Business Partners, which will turn around and grow the business for a substantial profit down the road. It's a truly win/win situation for both parties.

Brookfield buys assets that are undervalued and then does what's needed to deliver a minimum 15% annual total return. In the first six months of fiscal 2017, its revenues were US\$6.8 billion — 85% higher than a year earlier.

This is another excellent spinoff from **Brookfield Asset Management Inc.**, one of my [favourite](#) stocks on the TSX.

The third way to benefit

If you want a nice small cap in your portfolio, you can't go wrong with Clairvest, a private equity firm that gives **Onex Corporation** a [run](#) for its money.

As I mentioned previously, Clairvest owns a tiny sliver (2%) of the Great Canadian Gaming/Brookfield Business Partners gaming partnership.

It might be small, but it knows how to deliver for shareholders.

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