



Have You Considered The Stars Group Inc.?

Description

The Stars Group Inc. (TSX:TSGI)(NASDAQ:TSG) is a software entertainment company that primarily caters to the online gambling segment of the economy. The segment has seen explosive growth in the past few years as new markets begin to open to the concept of online gambling. Regulatory and government agencies are all too anxious to realize some of the taxation benefits that online gambling could mean to local coffers.

If you're thinking that the Stars Group sounds familiar, it could be that you recall the company's former name: Amaya Inc.

The official name change occurred earlier this month. While the company may have a new name, the great opportunity often associated with Amaya persists with The Stars Group.

Here's a look at why Stars Group may be a great addition to your portfolio.

New name, no baggage

Amaya was often weighed down as an investment, and not by any one thing in particular, but rather because of activities that either predated the company or through the actions of the company's former CEO, David Baazov.

Baazov resigned over securities-related charges that were brought forth last year. Before those charges were announced, there was the talk of him taking the company private, and then discussions about merging with U.K.-based William Hill PLC, but neither of these came to fruition.

Stars Group CEO Rafi Ashkenazi noted earlier this summer that those difficulties are in the past, and the name change is not because the former name of the company was tainted, but rather that The Stars Group is more representative of the company's offerings.

Time to grow

Armed with a new name and focused on growth, Stars Group has been seeking out new opportunities

in other markets. India is one such area where online gambling has seen explosive growth in recent years, thanks to the proliferation of inexpensive smartphones.

Over the past two years, smartphone usage in India has surpassed that of the U.S. and continues to grow. The Stars Group already has existing partners in the region and plans to leverage those partnerships to begin operating in India later this year, with half of the online poker market, estimated to be worth US\$150 million, being targeted.

The Stars Group is also looking at growth outside the online poker market, which was an often-cited concern of critics. The company has worked on adding both sports betting and casino games to complement that core poker segment, which has declined in terms of revenue over recent quarters.

The Stars Group announced quarterly results earlier this month which showed that both the casino and sportsbook divisions attributed to nearly 30% of all revenue. Ashkenazi also noted that sportsbook acquisitions were going to be the primary point of focus for the company with respect to M&A, particularly in light of the impressive quarterly results.

Great quarterly results — more to come

In the most recent quarter, Stars Group realized a net income of US\$70.5 million, or US\$0.35 per share, which came out to three times higher than the amount reported in the same quarter last year. Adjusted earnings for the quarter were up 22%, coming in at US\$0.56 per share.

Revenue for the quarter realized a 6.8% increase, coming in at US\$305.3 million.

The Stars Group also provided an update to 2017 revenue guidance, noting that the company now expects revenue to fall in the upper range of the previously announced guidance of US\$1.2 billion to US\$1.26 billion. Estimates for adjusted earnings also saw an uptick and are now expected to come in between US\$413 million and US\$437 million.

Is Stars Group a good investment?

There's plenty to love about Stars Group. The company operates in a new and growing segment of the economy, and it has barely scratched the surface in terms of its full potential. In my opinion, Stars Group is a great investment option for those investors looking for long-term growth.

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