



Why The Stars Group Inc. Is up Over 9%

Description

What happened?

Global gaming and interactive entertainment company **The Stars Group Inc.**

(TSX:TSGI)(NASDAQ:TSG) is up over 9% so far in today's trading session after the company raised its full-year guidance for fiscal 2017 and announced the prepayment of second-lien debt this morning.

So what?

Here's a breakdown of The Stars Group's updated guidance for fiscal 2017 compared with its previous guidance:

Metric	Updated guidance	Previous guidance
Revenues	US\$1,285 million-US\$1,315 million	US\$1,200 million-US\$1,260 million
Adjusted EBITDA	US\$590 million-\$610 million	US\$560 million-US\$580 million
Adjusted net earnings	US\$445 million-US\$469 million	US\$413 million-US\$437 million
Adjusted net earnings per share (EPS) — diluted	US\$2.17-US\$2.31	US\$2.01-US\$2.15

The Stars Group's updated guidance calls for revenue growth of 11-14%, adjusted EBITDA growth of 13-16%, adjusted net earnings growth of 21-28%, and adjusted EPS growth of 15-23% compared with its results in fiscal 2016. The company had already raised its full-year guidance in its second-quarter earnings release last month, so this raise came as a welcomed surprise to the market.

The company also announced that it will be prepaying without penalty an additional \$75 million under its second-lien term loan during the week of September 18-22 using cash on hand and cash flow from operations; this will bring its total repayment of second-lien debt to \$115 million so far in 2017, and it will reduce its annual interest expense to approximately \$9.5 million and the principal balance of its second-lien term loan to just \$95 million.

Now what?

The Stars Group's stock is up over 1% since I [last recommended](#) it on August 10 following its very strong second-quarter earnings release, and I think it represents an even more attractive long-term investment opportunity today, because it's even more undervalued than before; the stock now trades at just 8.8 times the low end of its new guidance and a mere 8.3 times the high end of its new guidance for fiscal 2017, both of which are very inexpensive given its current double-digit percentage earnings-growth rate.

With all of this being said, I think Foolish investors should strongly consider initiating long-term positions in The Stars Group today with the intention of adding to those positions on any significant pullback in the future.

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