



## How Will Sports Gambling Legalization Affect The Stars Group Inc.?

### Description

In June this year, the U.S. Supreme Court agreed to hear a challenge from the state of New Jersey to legalize sports betting. The American Gaming Association estimates that Americans wager at least \$150 billion a year in illegal sports gambling. Canada has similar laws barring sports gambling, and citizens from both countries have jumped this hurdle by placing bets with online bookies that operate offshore.

The case is set to be heard in November, and a tentative vote is scheduled in the late spring or early summer of 2018. There is a good chance the Supreme Court will vote to strike down the ban as unconstitutional.

Ratings for the National Football League are down 14% in the first two weeks of the 2017 season. This continues a trend from last year, when low ratings were blamed on a U.S. election that was purported to be drawing away viewers. Online daily fantasy football websites DraftKings and FanDuel have been embroiled in constant controversy over whether or not fantasy games should be constituted as sports gambling and therefore illegal. Thus far, both have survived, and 2016 saw the companies draw in close to \$100 million in revenue each.

On September 5, **The Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG) adjusted its 2017 forecast and increased expected earnings and revenues. Stars Group is a Montreal-based gaming and online gaming company that operates Pokerstars and Full Tilt Poker as well as slot machines, lotteries, online casinos, and sportsbooks. Second-quarter results released on August 9 showed revenues climb 6.8% from Q2 2016. Casino and sportsbook revenues experienced by far the largest jump — surging 50.2% year over year to \$89.6 million.

Stars Group stock shot up 10% on news of the adjusted forecast. Shares have increased 26% in 2017 and 16% year over year. Shares could see an even better 2018 depending on the Supreme Court decision.

The growth in sports gambling and interest in fantasy leagues coupled with the decline of ratings for the NFL and other major leagues indicates that these entities will look to dive into this market in the

near future. Although legalized sports gambling was certainly not a part of the “pro-growth” agenda trumpeted by the new U.S. administration, the move would no doubt bring over a significant amount of overseas cash that is currently with offshore betting stores.

Executives for Major League Baseball (MLB) held meetings in Las Vegas in September to engage in discussions with sportsbook operators about how the industry works. The MLB has seen its lowest World Series ratings ever this decade as the sport struggles to cater to younger demographics.

As it stands, Nevada is the only U.S. state that allows single-game sports betting, which happens to be the most popular to gamblers. Nevada sportsbooks took in \$4.5 billion in bets in 2016.

There is no question that legalization will transform the sports and gambling landscape. Stars Group will be positioned with a strong online presence and infrastructure to benefit from a multi-billion-dollar domestic industry.

## CATEGORY

1. Investing

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

## Date

2025/08/25

## Date Created

2017/09/22

## Author

aocallaghan

default watermark

default watermark