



Should You Buy or Sell Great Canadian Gaming Corp. Stock Amid the Recent Scandal?

Description

Great Canadian Gaming Corp. (TSX:GC) stock has declined 4.5% month over month as of close on October 31. Shares have been pushed down after the September announcement of a probe into money laundering at casinos in British Columbia.

Staff at the River Rock casino in Richmond, B.C. are reported to have accepted millions in cash that police allege could be proceeds of crime involving Asian VIP clients. On multiple occasions, reports also suggest that the casino has accepted cash buy-in in excess of \$500,000.

Great Canadian Gaming CEO Rodney Baker has said that the company is confident in its transparency and continued cooperation with law enforcement regarding the prevention of illegal activities at its locations.

Ontario PCs have moved to apply pressure to Ontario Liberals

In response to the investigation, the Ontario Progressive Conservative Party has called for the Liberal-led Ontario government to scuttle a deal reached in August. I have previously covered [instances](#) in which political turmoil can boost a stock; this is not such a case. The deal saw Great Canadian Gaming and **Brookfield Business Partners LP** ([TSX:BBU.UN](#))([NYSE:BBU](#)) win exclusive rights to acquire OLG Slots at Woodbine, OLG Slots at Ajax Downs, and the Great Blue Heron Casino. Great Canadian Gaming also has ambitions to add a new casino location in Toronto.

Premier Kathleen Wynne has said that the provincial government is monitoring the developments in British Columbia, but no action appears imminent. Ontario Finance Minister Charles Sousa has declined to get involved and expressed confidence in the OLG vetting process. With the Ontario provincial election set for June 7, 2018, this appears to be a case of political point scoring rather than a concentrated effort that could yield success.

The Vancouver Sun reported in October that an illegal gambling unit was shut down in 2009 due to funding pressure from B.C. Lottery Corp. interests. The task force in question requested to expand its

investigation in January 2009 and was promptly disbanded by the spring of that year.

The takeaway here is that this will continue to be a B.C. government issue. The reigning Liberal government of Ontario is unlikely to cede to pressures from the opposition.

Buy the dip?

Great Canadian Gaming stock is still up 22.7% in 2017 and 37% year over year. The company is set to release its third-quarter results on November 9. In its second-quarter results, the company posted revenues of \$161 million, representing a 15% increase from Q2 2016. It also reported net earnings of \$26.7 million — a 17% increase.

As the stock skids, the downward pressure from the B.C. probe gives investors a remarkable opportunity to stack shares of a company that is poised to post monster revenue growth in the years to come. Jawing between the Ontario Liberals and PCs is simply a warm-up for the 2018 election, and comments from Liberal leaders illustrate that this is very unlikely to escalate and negatively affect the deal.

In a [September 28 article](#), I recommended Great Canadian Gaming in a strengthening Canadian economy. Though a slowdown has emerged, the IMF still projects Canada to lead the G7 in growth in 2018. I still like Great Canadian Gaming going forward, and this probe presents the opportunity for investors to add the stock at great value.

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aocallaghan

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