



## Down 15% in 2 Months: Is Great Canadian Gaming Corp. a Buy on the Dip?

### Description

Back in August, **Great Canadian Gaming Corp.** (TSX:GC) saw its stock skyrocket on news that it was [awarded three locations by the Ontario Lottery and Gaming Corporation \(OLG\)](#) to manage in partnership with **Brookfield Business Partners LP** ([TSX:BBU.UN](#))([NYSE:BBU](#)). The stock would go on to climb a whopping 45% and reach a new all-time high of over \$35 a share.

However, in the past two months, the stock has fallen below \$30 and lost 15% of its value. Disappointing quarterly results along with some negative press have sent the stock reeling, but that could make it a great buy for investors looking to buy on the dip.

Let's take a look at what's plagued the company's stock and why it has been on the decline lately.

### Money-laundering concerns at the River Rock Casino

The River Rock Casino is one of the top casinos that Great Canadian operates, and it is currently under an independent review to assess whether or not money laundering has taken place at the casino. The concern is that millions of dollars were accepted by the casino that could have been sourced through criminal activity.

### Ontario opposition government wants deal with OLG halted

Vic Fedeli, a Progressive Conservative from Ontario, has called on the province to stop the casino deal in its tracks, stating, "We're asking them — halt right now while we gather the facts. I think that's the prudent thing to be doing."

However, Premier Kathleen Wynne hasn't made any decision and has only said that she "will be paying very close attention" to the situation.

Great Canadian responded to the concerns, stating that the "company is not under investigation in any jurisdiction" and that "none of our employees are facing charges, nor we do not believe our company's actions would give cause to initiate any investigation."

## Should this be a concern for investors?

While nothing has taken place that would suggest Great Canadian will lose the bid it won earlier in the year to operate the three casinos in Ontario, until the independent investigation is complete, we can't be certain of anything.

If the findings come back negative and put Great Canadian in a bad light, then we could certainly see OLG try to back out of the agreement given that the organization has strict provisions relating to anti-money laundering.

## Third-quarter results haven't helped the stock's performance

Great Canadian released its quarterly results earlier this month, which showed 5% growth in the company's top line, but earnings were flat and on a per-share basis, down \$0.01 from a year ago. As a result, the unimpressive results pushed the share price down even further.

## Should you buy the stock today?

Great Canadian certainly presents a bit of risk, because if we see the OLG turn back on its deal with the company, then the share price will undoubtedly take a big hit. However, a good finding from the investigation could send the stock rocketing back up to previous levels.

The prudent thing to do would be to wait in the sidelines until the dust settles. Investors need to look no further than a stock like **Home Capital Group Inc.** ([TSX:HCG](#)) to see the impact that a [damaged reputation can have on the share price](#).

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