



Why Great Canadian Gaming Corp. Is Soaring Over 14%

Description

What?

Great Canadian Gaming Corp. (TSX:GC) is up over 14% as of 2:15 P.M. EST in Tuesday's trading session following the announcement that it and **Clairvest Group Inc.** ([TSX:CVG](#)) were selected by the Ontario Lottery and Gaming Corporation (OLG) to operate and develop four gaming facilities in the West Greater Toronto Area; these facilities are being referred to as "The West GTA Bundle."

So what?

The West GTA Bundle consists of OLG Casino Brantford, OLG Slots at Mohawk Racetrack, OLG Slots at Flamboro Downs, and OLG Slots at Grand River Raceway, which have a combined total of more than 2,500 slot machines, approximately 60 table games, and generated approximately \$450 million in gross gaming revenue in fiscal 2017.

Here are five other important notes to make about this deal:

1. Great Canadian and Clairvest will form a new partnership, the Ontario Gaming West GTA Limited Partnership, to operate the above facilities.
2. Great Canadian will own 55% of the newly formed partnership and will operate the gaming facilities on behalf of the partnership, and Clairvest will own the remaining 45%.
3. The partnership will have the exclusive right to operate these four assets for a minimum period of 20 years.
4. The partnership will enhance and modernize the facilities, and will add "extensive non-gaming amenities and expanded gaming offerings" to allow them to offer "a premier gaming and entertainment experience."
5. The deal is expected to close in the spring of 2018, which will allow for "a seamless operational transition."

Now what?

I think this is incredibly good news for both Great Canadian and Clairvest, and the market seems to

agree, with Great Canadian's stock soaring over 14% and Clairvest's rising more than 6% in Tuesday's trading session. This is also the second bundle Great Canadian has won from the OLG in the last six months, with the first being a bundle of three facilities in the Greater Toronto Area, which generated [over \\$1 billion](#) of gross gaming revenue in 2016.

Great Canadian's stock has now returned more than 36% year to date and more than 42% since I first recommended it on [July 3, 2015](#). I think the stock still represents a great long-term investment opportunity today, because its recent deals will accelerate its growth going forward, and because it trades at very attractive valuations, including just 20.6 times fiscal 2018's estimated earnings per share of \$1.66, which I actually think is very low given the deal it just announced.

With all of the information provided above in mind, I think Foolish investors seeking exposure to the gaming industry should strongly consider beginning to scale in to long-term positions in Great Canadian Gaming Corp. over the next couple of weeks.

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