



Great Canadian Gaming Corp. Scores Another Deal in Ontario: Is the Stock a Must-Buy?

Description

Earlier this week, **Great Canadian Gaming Corp.** (TSX:GC), along with **Clairvest Group Inc.**, was chosen by the Ontario Lottery and Gaming Corp. (OLG) to operate four facilities near Toronto.

Back in August, the OLG also awarded Great Canadian and **Brookfield Business Partners LP** [with three locations](#), including the Woodbine Racetrack. Both of the deals will see Great Canadian operate the facilities for a minimum of 20 years.

Under this new deal, Great Canadian will have a 55% stake in the partnership, which is more than the 49% it owns in the deal with Brookfield.

Could the ongoing money-laundering investigation jeopardize these deals?

The deal will certainly raise eyebrows, especially as the River Rock Casino, which is operated by Great Canadian, is currently under review amid concerns of money laundering. The opposition government in Ontario even wanted the OLG to [back out of the deal](#) it had reached with Great Canadian back in August until these issues were resolved.

If the OLG was genuinely concerned about the investigation at River Rock, it would stand to reason that the company would at least delay its decision in awarding these deals. However, that's not a guarantee that Great Canadian will be unscathed from the independent review at River Rock.

What should investors do?

Under normal circumstances, the stock would be soaring, and rightfully so, especially after two big deals that Great Canadian secured this year. The problem is that the money-laundering issue is a big one, and until it is sorted out, it will expose investors to risk. At this stage, we don't know what the findings will be, and what the consequences Great Canadian could face.

Investors don't like risk, and that's why the stock gave back some of the gains it achieved back in August when the deal with Brookfield was announced. For investors that are willing to take on some

risk, Great Canadian's stock could produce significant returns if news from the investigation comes out positive and the uncertainty goes away.

Why investors shouldn't be too concerned

There are a couple of reasons I wouldn't be concerned about the review.

First, the OLG awarding Great Canadian a deal in the midst of the money-laundering investigation suggests to me that the company's conduct would have to be egregious for OLG to pull the deals. If indeed the conduct was very concerning, we'd be seeing much more than just an independent review.

With no criminal charges and no police involvement at this stage, it's too early to be setting off the alarms.

Second, the province will get a big cut of gambling profits, and although it certainly wants to avoid illegal behaviour, it would not be in its best interests to be heavy handed if the review finds some policies that are being executed softly.

Bottom line

Investors should take advantage of the stock being priced where it is, because without the ongoing review, the share price could easily be over \$40. The company is setting itself up for significant long-term growth and is proving to be a big player in the industry.

Year to date, the share price has risen more than 35%, and there's plenty of reason to expect the stock to continue to climb in 2018.

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