



Bet on These 2 Gaming Stocks in 2018

Description

In a late November article, I'd [compared](#) **Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG) and **Great Canadian Gaming Corp.** (TSX:GC). Stars Group has climbed 14.5% over a three-month period as of close on January 9, and Great Canadian Gaming is up 6.4% over the same span. Both stocks could take advantage of tailwinds in the gaming industry to start the year.

Stars Group Inc.

Stars Group jumped over 50% in 2017, but its stock has been stagnant to start off 2018. The company released its third-quarter results on November 10. Total revenue increased 21.7% to \$329.4 million, and net earnings climbed an incredible 505% to \$75.8 million. Casino and sportsbook revenues experienced the biggest year-over-year increase — 48.3% to \$95.2 million. This year could bring about very exciting developments for the company.

In June 2017, the United States Supreme Court agreed to hear a challenge slated for 2018 on [legalized sports betting](#). A number of states have also vowed to pursue sports betting legalization in 2018. National polling and research company Eilers & Krecjik Gaming projects that over 30 states will introduce sports gambling bills this year.

If the Supreme Court opts to overturn the federal ban, as is projected, states will move quickly to make the deadline for the 2018 NFL season opener. Stars Group will vie for state contracts and could potentially rekindle talks with London-based bookmaker William Hill regarding a merger or acquisition. This company remains a very attractive pick up before this key decision.

Great Canadian Gaming Corp.

Great Canadian Gaming has also started the year relatively flat — the stock is down 0.33% as of close on January 9. There was a degree of anxiety in late 2017 after the Ontario Progressive Conservative Party pressured the ruling Liberals to stall a winning bid by the company for gaming facilities in Toronto that generate over \$1 billion in revenue. This was in response to a money-laundering probe in British Columbia. Great Canadian Gaming has assured provincial leaders that it is cooperating fully with authorities in the probe.

In December, Great Canadian Gaming and **Clairvest Group Inc.** were chosen to operate and develop four Ontario Lottery and Gaming Corporation locations west of Toronto. This deal gives both companies access to the facilities for 20 years, with Great Canadian Gaming obtaining a 55% stake.

The company released its third-quarter results on November 9. Revenues were up 5% to \$159.6 million, and adjusted EBITDA was largely flat at \$62.7 million. Great Canadian Gaming expects its Shorelines Casino Peterborough facility to be completed in the third quarter of 2018.

The GTA bundle will be a significant boon to revenue in a deal that will stretch 22 years. Great Canadian Gaming stock is up 37% year over year, largely on the boost in investor sentiment following the agreement. An improving Canadian economy should be good news for the gaming industry as well.

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