



Why Stars Group Inc. Soared 15% on Monday

Description

Stars Group Inc. (TSX:TSGI)(NASDAQ:TSG) rocketed more than 15% on Monday after announcing the purchase of Sky Betting & Gaming (SBG) for US\$4.7 billion. The British-based site gives Stars Group more of a presence in the U.K. market and will help expand its sports-betting segment as the company tries to be less reliant on online poker for growth.

CEO Rafi Ashkenazi is very optimistic about what the deal will mean for Stars Group, saying, “SBG operates one of the world’s fastest-growing sportsbooks and is one of the United Kingdom’s leading gaming providers. SBG’s premier sports betting product is the ideal complement to our industry-leading poker platform.” Earlier this year, Stars Group also took on a majority ownership in Australian-based CrownBet Holdings Pty Ltd. Both of these moves will help the company diversify its assets, resulting in a broader stream of revenues that will help strengthen the company’s financials.

Stars Group has accelerated its growth in the past by acquisition, with the largest being the purchase of PokerStars back in 2014. Over the past three years, the company’s revenues have more than doubled, and we could see more growth in the years to come as Stars Group expands its global reach. Online gambling and betting sites aren’t going out of style anytime soon, and the more avenues through which the company can expand its online offerings, the better.

Where does the stock go from here?

The stock currently trades at around two times its book value and more than 30 times its earnings. However, there’s much reason to expect the growth to continue, so paying a bit of premium to own a piece of the company may not be so bad. After all, it has already produced great returns for investors thus far.

In the past year, Stars Group has seen its share price soar more than 80%, increasing by more than 550% in value in the past five years. The stock recently hit a new 52-week high, and if it can continue its rapid rate of growth, they’ll be no stopping Stars Group.

Does this stock belong in your portfolio?

Investors may be hesitant to buy a stock that jumped 15% in one day that's trading on a high, but if you're expecting Stars Group to see a big dip in its share price that you can cash in on, don't count on it. The stock has been [one of the strongest on the TSX](#), and as it continues to make solid moves to grow its business, it will only get stronger.

Trying to buy on the dip in hopes of getting a deal [isn't going to get you much further ahead](#), and may just result in you waiting in the sidelines while the share price continues to climb. Stars Group has a great deal of growth potential, and investors shouldn't have a hard time justifying the stock price given how well Stars Group has performed over the years.

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