



## The Potential of Legal Sports Betting Has Stars Group Inc. Celebrating: Is it a Buy Right Now?

### Description

Back in September 2017, I'd discussed [why investors should target Stars Group Inc.](#) (TSX:TSGI)(NASDAQ:TSG) with a decision on sports betting south of the border looming large.

On May 14, the United States Supreme Court struck down the Professional and Amateur Sports Protection Act that banned sports gambling, with few exceptions. The pressure is now on the U.S. Congress to regulate sports gambling directly or allow the states to act freely in determining policy. The decision has been met with open arms by casinos and by key figures in professional sports.

All four major sports leagues; [the NFL](#), NHL, NBA, and MLB, argued openly that the law should be upheld to protect the integrity of their respective sports. This position was not uniform among top owners. Washington Capital and Wizards owner Ted Leonsis, for example, called the decision a "great one for sports fans." Atlanta Hawks owner Antony Ressler also said the ruling would be "positive" for the NBA.

Stars Group did not hide its elation after the ruling. On May 15, the company released a statement praising the move: "The decision by the Supreme Court is an important step forward in the regulation of sports betting in the United States," said Marlon Goldstein, executive vice president and chief legal officer at Stars Group.

The decision came after Stars Group had announced a \$4.7 billion acquisition of Sky Betting & Gaming, a sports betting operator in the United Kingdom, and the world's largest online gaming market. It also acquired 80% of the combined Crownbet and William Hill Australia businesses, which represent the second-largest online gaming market in the world.

The American Gaming Association estimates that the number of illegal bets made by Americans is as much as \$150 billion per year. The huge numbers are enough to make casinos, online or otherwise, salivate at the potential revenues that could be generated going forward. However, it will likely take years for regulations and the market to settle.

Stars Group stock has surged over 60% in 2018 as of close on May 23. Does this mean investors should wait on the sidelines?

The company released its first-quarter results on May 10. Revenue climbed 23.8% year over year to \$392.8 million, and net earnings jumped 13.1% to \$74.3 million. Casino and sportsbook revenues rose 55% from Q1 2017 to \$134.5 million with 20.7% of that total related to sportsbook revenues. A portion of this growth was propelled by the acquisition of CrownBet. Net deposits increased 25.9% from the prior year to \$353.4 million. Customer registrations also hit 2.3 million in the quarter.

It is hard not to be intrigued by the huge potential offered by legalized sports betting going forward. Companies will be forced to wade through the uncertain environment in the short term, but looking long, Stars Group is too good to pass up, even at its current price. The company has made some fantastic moves to position itself well ahead of this ruling, and investors should look for entry points over the coming months.

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aocallaghan

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