



Is The Stars Group Inc. (TSX:TSGI) a Must-Own Growth Stock?

Description

A landmark ruling from the U.S. Supreme Court in mid-May has [paved the way](#) for legal sports gambling south of the border. The decision sent **The Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG) stock soaring. Shares reached an all-time high of \$50.00 last week before settling in just under that number on June 15. The stock has climbed 70% in 2018 so far.

The reason for the enthusiasm is justified. Stars Group has positioned itself to capitalize off the proliferation of legal sports betting across the United States, and the industry holds huge promise. Unfortunately, the nature of sports gambling, namely that it is currently illegal in North America, makes it difficult to gauge its potential.

Morning Consult, a Washington-based market research firm, released a survey that was conducted in the aftermath of the Supreme Court ruling. "Prospective bettors are more likely to be age 34 or younger than current bettors (38% vs. 30%)," the survey said. "And more likely to be making less than \$50,000 in annual income (56% vs. 46%)." In the survey, roughly one in five of those polled expressed interest in sports betting once it was legalized. The survey also found that men would dominate the sports bettor demographic, making up nearly 70% of the total.

The National Football League was found to be the biggest draw among prospective bettors, which comes as no surprise, as it is the most popular league in the United States. The NBA, MLB, and boxing were all tied for the second-most interest.

Back in February, I'd discussed why [major leagues like the NFL](#) could capitalize off sports gambling. The NFL has suffered from falling ratings in recent years, and participation in youth programs has plummeted with increased public awareness of the long-term health risks the sport carries. Some are now floating the prospect of an "integrity fee" that will require sportsbooks to siphon revenues to the top leagues. The NBA and MLB have led this push, arguing that legal sports betting will force them to increase monitoring costs.

Others have floated the idea of opening their own sportsbooks, which would likely be met with even more hostility by the gaming industry. Leagues could also opt to sell data to bookies in order to scrape

revenue from legal sports betting.

What does all this mean for Stars Group?

Although the Supreme Court decision is exciting for Stars Group and the gaming industry at large, this will be a long process. Legal sports betting aside, Stars Group has posted very nice earnings in consecutive quarters. In the first quarter revenues were up 23.8% to \$392.8 million and adjusted net earnings jumped 22.8% to \$139.2 million.

Casino and sportsbook revenues climbed 55% year-over-year to \$134.5 million. During the quarter, 20.7% of that combined total was related to sportsbook revenues. Even if legal sports betting takes some time to get off the ground, investors should feel good about stashing Stars Group for the long term. Top leagues and the gaming industry will compete for revenues, but both will come out big winners from this decision.

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