



## Which Is the Better Buy: Great Canadian Gaming Corp. (TSX:GC) or Stars Group Inc. (TSX:TSGI)?

### Description

If you're looking for great growth stocks to add to your portfolio, then look no further. **Great Canadian Gaming Corp.** (TSX:GC) and **Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG) have been two of the hottest stocks on the TSX in the past year, and both have very bright futures.

The challenge is in deciding which one is the better investment today. I'll have a look at the stocks in terms of recent performance, growth, and valuation.

### A look at recent performance

Great Canadian's stock has doubled in the past year, and in just the last three months it has risen by more than 40%. Stars Group has seen a similar growth in its share price, as both of these gaming stocks have been soaring past the TSX.

In Great Canadian's most recent quarter, sales and profits were up an incredible 61%. With a 13% profit margin, the company has been able to average a very strong bottom line, which will only increase as revenues continue to climb. In the trailing 12 months, Great Canadian has accumulated more than \$160 million in free cash flow, which is up from prior years. Overall, the company's financials look solid.

In the other corner, Stars Group saw a more modest 24% rise in sales, and its bottom line improved by 15% in its latest quarterly report. While it may not have had as impressive growth as Great Canadian, Stars Group has averaged a stronger 19.5% profit margin over the past five quarters. And with more than \$500 million in free cash over the past four quarters, it has ample money to fund further growth.

The advantage here goes to Great Canadian, as its strong growth numbers are too impressive to ignore, despite Stars Group showing stronger numbers in other areas.

### Potential growth

Nearly a year ago, Great Canadian's stock got a big [boost](#) from news that it would, in partnership, operate some key casinos in the Greater Toronto Area. The long-term deal will lead to significant sales

growth in the years to come and gives investors something tangible to hang their expectations on.

Stars Group recently acquired a big online sports betting company, which will open avenues for expansion in Europe. This is important to ensure that Stars Group is not overly reliant on poker revenues for growth, while also extending its reach and market share across the globe.

With the U.S. courts recently [paving the way](#) for online sports betting to become legal south of the border, Stars Group could have even more significant growth opportunities in North America.

The advantage here clearly goes to Stars Group.

## Valuation

Stars Group trades at around 36 times its earnings and more than two times its book value, making it a moderately priced buy. By comparison, Great Canadian trades at just 31 times its earnings but is valued at around six times book value.

In terms of value, Great Canadian is the better buy.

## Bottom line

Stars Group is my pick; despite being a bit more expensive as over the long term, it's likely to outperform Great Canadian. However, it's hard to go wrong with either of these great stocks.

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