



Is Stars Group Inc (TSX:TSGI) a Steal at \$30?

Description

It's getting harder and harder to find some good buys in the markets these days. However, there are still good options out there that have great growth opportunities. There's one stock in particular that's gotten my attention lately, and that's **Stars Group** (TSX:TSGI)(NASDAQ:TSG).

The gaming stock has been in a free fall over the past three months. It is now down nearly 40%, and this was after the stock looked destined to be on an endless ascent.

Has the market overreacted to a bad earnings report?

Last month, Stars Group released a [disappointing quarter](#) which sent the stock down in price, and it still hasn't recovered from that. However, with the company being involved in some big acquisitions lately, it's likely that would have weighed down its recent results.

During the previous four quarters, Stars Group had averaged a solid 19% profit margin, and investors may be concerned that things have gone off the rails. In the trailing 12 months, the company is still showing a profit, and with sales up 35% last quarter, there's still a lot of hope for this stock.

Ultimately, whether or not you think it's a good buy or a stock on its way down, it comes down to whether you believe that this quarter was an anomaly or the start of a troubling trend. Unfortunately, we won't know that until Stars Group reports its next quarterly results.

But what we do know is that Stars Group has lots of potential. The company already has a terrific brand in PokerStars and it's looking to build on that and diversify its growth a little bit. With news that the U.S. would open its doors to [online sports betting](#), that could be a great avenue for Stars Group to go down.

And the company is wasting no time. Earlier this week, Stars Group announced it would be launching its BetStars sports betting platform in New Jersey, and that's likely just a small sample of what's to come. The U.S. market will provide ample growth opportunity for Stars Group, and that's good reason to be excited about this stock.

Is the stock too expensive?

Prior to its bad quarter, Stars Group was trading at around 30 times its earnings, and now it's at a multiple of nearly 300. It just goes to show you how easily one bad earnings report can skew a company's ratios and metrics. Even if the company recovers, it'll take a full year of results to clear off this blemish, and that could mean it doesn't get picked up by value investors that deem it to be too expensive.

But taking into account its prior success, I would be inclined to give Stars Group the benefit of the doubt and that the stock hasn't all of a sudden forgotten how to manage a business and turn a profit. I wouldn't bet on the stock staying this low for long, and investors may want to grab it before it starts to take off again.

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