



## This Explosive Canadian Growth Stock Is So Undervalued, It's Absurd

### Description

**Stars Group** (TSX:TSGI)(NASDAQ:TSG) stock is way oversold after falling off a 41% peak-to-trough cliff. The company behind gaming and online gambling brands Full Tilt Poker and Sky Betting & Gaming now looks absurdly undervalued when you consider the long-term growth opportunity ahead of it.

Now, understand that Stars Group may not be suitable for everyone, especially for morally conscious investors who have no desire to put a penny into gambling companies.

Even if Stars Group is a compelling opportunity to get rich safely over time, it's usually not worth compromising your morals, as you'll still feel like a loser when you're a winner. If the bet goes sour, you'll have a double dose of disappointment, and nobody wants that.

For everybody else, Stars Group shares are ripe for plucking. The stock had a spectacular run in the year prior to its implosion, doubling up at the same pace as a marijuana stock.

Unlike today's blazing weed stocks, however, Stars Group remains a firm that has stronger, more reliable fundamentals and a long-term growth outlook that's worth placing a bet on.

### What caused the wreck?

The company announced its issue of 52 million common shares to convert the firm's remaining preferred shares. Shareholder dilution is poison for existing shareholders, and as you'd imagine, the move caused a handful of investors to throw in the towel.

Add weak earnings results that saw a US\$154 million loss into the mix, and investors that remained took a nasty one-two hit to the chin in a very timely manner. Fellow Fool contributor David Jagielski did a sound job of [breaking down the situation](#) in his piece.

In short, the quarter was plagued by a rise in SG&A expenses, most likely from the company's prior acquisition spree. Jagielski thinks that Stars Group is an excellent buy in spite of the worrisome results and the build-up of inefficiencies.

Integration costs are to be expected, and the recent bout of dilution is just exacerbating pessimism that I believe is overblown beyond proportion.

Looking ahead, there are things to be optimistic about, most notably the opportunity to reap the rewards from Stars Groups' front-row seat to the [sports betting scene](#), a sub-sector that's slowly losing its taboo in the U.S.

### **Foolish takeaway**

Stars Group is an explosive growth name that's custom-tailored for a young investor's TFSA portfolio. The name is a high-flyer, and there are still uncertainties on the horizon, but I think the risk/reward trade-off at these levels is favourable.

Simply put, Stars Group is a gamble where the odds look heavily in your favour.

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