



## If You Want to Win Big With This Gambling Stock, Join the House

### Description

Many people liken investing to gambling, and for many people it is. Throwing your money at the day's hottest trend without any knowledge of the company's business strategy is more akin to a wager than an investment. In many of those cases, if luck isn't on your side, the only one who makes money is the house, collecting fees and keeping the odds firmly in their favour. There is a saying in gambling that the house always wins. It seems that rather than rolling the dice, the better strategy would be to own the house.

Buying shares of **The Stars Group Inc.** (TSX: TSGI)(NASDAQ:TSG) is one strategy investors could use to own the house. The company owns a number of betting platforms, such as Pokerstars, and capitalizes on the people's desires to get rich quick. Its services are largely online, making this gambling company a very low-cost operation. Not owning and operating a giant hotel and casino can seriously cut down on costs.

In the second quarter, the company's revenues increased by 29.2% year-over-year. Contributing to that gain was the 585.5% growth in its betting business. This segment is relatively new since the legislation prohibiting legal [sports betting](#) in the United States was only recently overturned. This segment, therefore, could have a significant amount of growth ahead of it.

These huge increases in revenue have helped the company generate some significant [profits](#). Gross profit increased by 26.2% of the previous year. Free cash flow increased by 4.6% over that period. Much of the growth in profitability came from its Australian acquisitions. There was a net loss in earnings, but the loss was attributed to expenses related to the acquisition, so the negative impact should not be reoccurring.

There are some negatives for not owning this stock that may keep some investors away. Some of these factors are unrelated to its financials, which are excellent, but are rather related to investment philosophy and style. The Stars Group is considered by some to be a sin stock. If you are not a fan of owning companies that are in this category, or you are very much against gambling, this will not be the company for you.

The Stars Group is still growing, so for the moment, it prefers to retain its cash for growth and investment purposes. This means that it does not pay a yield, so income investors looking for steady payouts will most likely not find this company particularly appealing.

If neither of those reasons applies to you, then maybe its valuation will make this less attractive. The company trades at a relatively expensive valuation of 27 times trailing earnings and around 2.7 times its book value. But its rapid profit growth might still make this a relatively good time to enter a position in the stock as its earnings catch up with the share price. Its high book value is also relatively common among technology stocks, which don't have a lot of hard assets such as buildings.

This is a strong growing company to own if you aren't opposed to gambling. With its accretive Australian acquisition and American legislation working to its advantage, it is hard to believe that it is not going to continue to make money. Besides, as long as people dream about getting rich quick, there is a pretty good chance that gambling is going to continue to be around for a long time. Don't bet against the house. Own the casino instead.

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## **Date**

2025/07/28

## **Date Created**

2018/10/24

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