

## Strong Earnings and Growth Potential for This Toronto-based Tech Outfit

### Description

Across all the segments of the economy, there are still some areas where investors are hesitant to invest. One such area is in the lucrative market for legalized gambling and gaming offered by the **Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG). The Stars Group is best-known for its portfolio of online poker games, which includes the two most popular brands in the marketplace, Full Tilt Poker, and PokerStars.

The company posted results for the third fiscal of 2018 earlier this month. Let's take a look at how the company fared.

### Strong quarter, strong prospects

The Stars Group reported revenues of US\$572 million in the most recent quarter, representing an incredible 73.6% increase over the same quarter last year. On an adjusted basis, revenues surpassed the figure from the previous year by 27.3%, coming in at US\$198.2 million. Much of that incredible growth was attributed to the spending spree of acquisitions the company made over the course of the past year, which included U.K.-based Sky Betting and Gaming, as well as Australia-based William Hill Australia Holdings Pty Ltd.

Collectively, Stars Group's new brands had an impact of US\$220 million, which in turn helped boost both organic revenue and adjusted earnings of the company to US\$351 million and US\$175 million, respectively.

One of the long-standing criticisms of the Stars Group is that the company continues to be too reliant on its poker products, whereas its casino and sports betting games comprise a minority share of the company's revenue stream.

The company continues to make inroads in becoming less reliant on its poker portfolio. In the most recent quarter, the Stars Group announced that gaming revenues saw a year-over-year improvement of 29%, while sports betting earnings saw an even more impressive gain of 80% year-over-year.

### Should you buy?

While there are those that may not like online sports betting or poker and casino games, it's a lucrative business that is only poised to grow over the next few years. Additionally, many of the games offered online are now geared to mobile users, which comprises a much larger population that is also considerably younger, particularly in emerging markets such as India that have a huge population of users with mobile devices.

As the Stars Group continues to penetrate these markets with the requisite approvals and regulatory hurdles, investors in the Stars Group should reap significant gains.

One point of reference from the recent earnings announcement that drives this [long-term potential](#)

home as well as addressing the diversification aspect is a comment by CEO Rafi Ashkenazi, where he noted that the Stars Group is now responsible for an incredible US\$2.5 billion in wagers each and every quarter.

That's [massive potential](#) that is worthy of a small position in your portfolio.

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