



The Time to Buy This Growth-Driven Tech Stock at a Discount Is Now

Description

Stars Group (TSX:TSGI)(NASDAQ:TSG) remains one of the most compelling [long-term investment options](#) on the market, despite a lingering set of issues that have plagued the company for what seems like years. Here's a look at some of the issues and opportunities facing Stars Group, and why an investment in the online gaming and gambling company is warranted now more than ever before.

The legal matter with Kentucky is resolved ... for now

Back in 2010, Kentucky made a claim that the operator of PokerStars (then owned by Rational Group) had illegally provided 34,000 players in Kentucky access to gambling services between 2006 and 2011. In a 2015 ruling, the court fined Stars Group US\$290 million for that violation; following a request from the state, the amount was tripled to US\$870 million the very next month. Stars Group was aware of the ongoing matter at the time of acquiring PokerStars, and a US\$300 million indemnity escrow fund to cover any potential fine was set up at the time of the deal.

Needless to say, Stars Group did file an appeal following the 2017 finding, and under a ruling made by Kentucky's Court of Appeals at the turn of this year, the prior judgment and fine was reversed, with the court noting that allowing the case to remain would "lead to an absurd, unjust result."

That's not to say that the matter is over yet, as it could still head to the state's Supreme Court for another review. What potential investors do need to know with respect to the matter is that the US\$870 million fine was overturned.

Stars Group's expansion plans are picking up steam

Stars Group has completed a series of very impressive acquisitions in the past year, including key players in both the U.K. and Australian markets. Additionally, the company announced the availability of PokerStars and BetStars in Sweden this year, after receiving a licence from the newly regulated Swedish market back in December. Expanding into new markets has established Stars Group as one of the largest online gaming and gambling operators in the world and helped to address a

diversification issue that critics of the company have long held — that Stars Group is too concentrated on its core poker portfolio.

While poker does still constitute the largest portion of Stars Group's revenue stream, both sports betting and casino games continue to grow their share with each passing quarter, and that is where a massive, untapped potential lies.

By way of example, let's talk about several, very different markets that Stars Group has entered that have massive potential. Specifically, I'm referring to France, Germany, Italy, Spain, and India. The first three countries are well known for their passionate sports fans and, by extension, an insatiable appetite towards sports betting. Emerging markets such as India have scores of younger people armed with mobile devices with a desire to play the games that Stars Group offers. In the past, company management hinted that India's massive population could provide revenue of \$150 million per year to the company.

Stars Group is seriously undervalued

Given the fact that the Stars Group's predominate legal matter is coming to a close, and that the company has bold, if not lucrative expansion prospects over the next years, it could be argued that Stars Group is well positioned to be a core long-term holding with years of solid growth ahead.

Unfortunately, the current stock price paints an entirely different picture. Trading near its 52-week lows, Stars Group has declined a whopping 25% over the past year. While some of that loss can be attributed to the overall volatility we witnessed across the market last year, there's also something to be said about both the diversification issue I noted above and the actions taken by the company's prior management.

Fortunately, both of those issues are well known and resolved, which makes Stars Group an excellent investment for any [long-term portfolio](#).

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