



Why Stars Group Inc (TSX:TSGI) Popped 13% Yesterday

Description

Stars Group (TSX:TSGI)(NASDAQ:TSG) is a stock that's been struggling to find some momentum, but on Wednesday it was injected with some much-needed life. Climbing to nearly \$25 during the day, Stars Group made some strong gains that it hopes it can build on, as over the past 12 months it has declined 36%.

What was behind the increase in price?

The sharp increase in price was due to the company releasing its Q4 results. During the quarter, sales were up over 80% year over year largely due to the acquisition of Sky Betting & Gaming and BetEasy. Revenue for the full year totaled over \$2 billion, and Stars Group expects that for 2019 its top line could reach as high as \$2.765 billion, which would be an increase of 36%. Although the company finished in the red this past quarter, adjusted net earnings were US\$144 million and rose by around 30% from a year ago.

Overall, it was a good quarter for a company that put the stock back into the spotlight. Stars Group looked like a good buy heading into earnings trading at around book value, and many investors took the opportunity to buy the stock at what looked to be bargain levels, coming off a 52-week low.

Why things could look even better down the road

As good as Stars Group did, it was mainly a result of acquisitions that its sales were up. Going forward, however, there's a lot of potential growth for the company with U.S. now permitting [sports betting](#), leaving it up to individual states to decide if they want to allow it or not. In the news release, Stars Group noted that it had "various market access agreements" that gave it a foothold in as many as 13 states.

Although Stars Group is known for its PokerStars brand, and that's a big driver of its strong sales, the more attractive growth opportunities are in sports betting. And that's why the access to U.S. markets is a big deal, because it could unlock a lot of new sales for Stars Group. The company has been looking

to be less reliant on poker revenue, and this definitely gives it the ability to do just that. Sports betting is very popular in the U.S. and 2019 could prove to be a very big year for the company.

Why it's still a great buy today

Investors worried that they may have missed the boat should note that the stock still has tremendous upside from where it is today. Early in 2019, Stars Group was trading at \$25, and in December it was around \$26. Fundamentally, nothing has made the company a worse investment than it was back then, and for its strong growth prospects, it could be a steal of a deal.

There aren't many [good growth stocks](#) on the TSX, but Stars Group is certainly one of them. As good a day as the stock had yesterday, I expect a lot more from it this year and would be surprised if Stars Group didn't climb to \$40 before the end of the year.

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