



Stars Group (TSX:TSGI) Sales Up 48% in Q1: Why the Stock Is a Can't Miss!

Description

Stars Group Inc (TSX:TSGI)(NASDAQ:TSG) released its quarterly results earlier this week. The company once again delivered exceptional growth with sales reaching \$580 million for the quarter, which were up 48% year over year. Net earnings of \$28 million, however, were down 63% from the prior year. Let's take a closer look at the results to see how Stars Group did and whether the stock is a good buy today.

Revenue boosted by U.K., Australia markets

Stars Group credits the significant growth this quarter as a result of contributions it received from Sky Betting & Gaming and BetEasy. Its key international segment saw sales actually drop 10.8% from the prior year. Poker revenues were down 12.9%, although, in constant currency revenue, the decline was only 4.5%. Betting was the one area where the international market saw an increase, with a 20% year-over-year improvement.

The U.K. segment added \$179 million in sales this past quarter, the bulk of which came from gaming (\$90 million) and betting (\$74 million). Poker revenue, the company's bread and butter, was just \$3 million in sales and could be a big opportunity for growth down the road. There were no comparables for 2018 for this segment.

The Australian market is also very young; its revenues of \$62 million were nearly entirely from betting — and a big 458% increase from the prior year when revenues were just \$11 million.

Overall, Stars Group has a lot of growth avenues in all its major segments, making it an exciting opportunity today, as there is still so much potential for the company to get even stronger in future quarters. The challenge will be growing and not letting costs spiral out of control.

Earnings down as expenses rise

During Q1, Stars Group's general and administrative expenses reached \$259 million and were up 84%

year over year. Sales and marketing expenses of \$84 million were up 71% from last year's tally of \$49 million as well. Operating expenses in total were up more than \$157 million and were the main reason for the lower net earnings this quarter.

However, there are likely many opportunities to achieve cost reductions, as Stars Group is fresh off some big acquisitions and many inefficiencies are still likely present.

Company is focused on growing its brand in the U.S.

Last week, Stars Group made a [big announcement](#) with news that television giant FOX was jumping on board and investing 4.99% in the company and that the two would be working together in what could be the start of a great partnership. The deal will unlock significant growth opportunities for the company and as good as the growth has been, Stars Group could [just be getting started](#).

CEO Rafi Ashkenazi is also looking forward to the opportunity to build a strong brand in the U.S., stating in the release that "As we continue to lay the foundations to deliver sustainable long-term growth across the group, we are also now focused on positioning our new FOX Bet brand as a market leader in the U.S."

Bottom line

It was a strong quarter from Stars Group yet again, and with the FOX deal, sales are going to keep growing, which makes the stock a very hot buy today and has me considering buying even more shares.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2019/05/16

Author

djagielski

default watermark