



1 Growth Stock I Love in September

Description

Stars Group (TSX:TSGI)(NASDAQ:TSG) stock has dropped 3.9% in 2019 as of close on September 10. Late last year, I'd discussed why [I was high on the company](#). Stars Group had posted solid successive earnings, and it was well positioned to capitalize off the recent move by the U.S. Supreme Court to strike down a federal ban on sports betting.

Shares have [failed to gain momentum](#) into the latter half of 2019, but I don't think it is time to give up on Stars Group just yet. Let's explore why.

U.S. states are moving rapidly to legalize sports betting

The gambling world was still anxious after the Supreme Court decision, as many lawmakers were pushing for federal legislation. That has been shelved for now, which has opened the door for states to deliver legal sports betting. Indiana is the latest state to legalize sports gambling. In Ohio, two competing sports betting bills have been introduced to the state legislature.

As it stands today, the states that have legalized sports betting include Indiana, Arkansas, Delaware, Iowa, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, and West Virginia. The start of the NFL season always promises huge action, but this will be even more pronounced with so many more states now joining the fray.

Sports betting is fueling revenue growth

Stars Group released its second-quarter 2019 results on August 12. In the year-to-date period total revenues had climbed 51.4% to \$1.21 billion, while adjusted net earnings had plunged 9.9% to \$243 million. However, adjusted EBITDA increased 25.9% year over year to \$432 million.

Online sports betting was Stars Group's largest product vertical in the second quarter. It represented 36% of revenue compared to 20% in Q2 2018. The online casino followed closely behind at 31%, while online poker's share has dropped to 30% compared to 53% in the prior year. This illustrates just how

crucial the proliferation of sports betting will be in powering growth at Stars Group in the quarters to come. At the end of Q2 2019, Stars Group had expanded its market access to 20 states.

The company was forced to adjust its full-year guidance down for revenue, adjusted EBITDA, and adjusted diluted earnings per share.

The stock boasts solid value right now

Shares of Stars Group had a forward price-to-earnings ratio of 8.1 and a favourable price-to-book ratio of one as of close on September 10. The stock dipped into technically oversold territory in early August but has since gone on a tear after its earnings release. Even so, it is still trading at the low end of its 52-week range.

Stars Group is in a great position as sports betting in the United States gears up for big growth in the coming years. The company has carved out a space in this multi-billion-dollar market, and its partnership with FOX Bet will allow it to cast a wide net. This has been a disappointing stock to own over the past year, but I'm still high on Stars Group in the long term.

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Author

aocallaghan

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