



2 Gaming Stocks to Avoid as the Industry Faces a Lockdown

Description

The gaming and entertainment industry is bracing for [a significant business reversal](#) due to the COVID-19 pandemic. For the likes of **Great Canadian Gaming** (TSX:GC) and **Stars Group** (TSX:TSGI)(NASDAQ:TSG), it won't be [business as usual](#).

People will avoid visiting gaming and hospitality facilities, although related interactive or online casino might still generate a little business. Betting activities on signature sporting events will be gone. Fans will not see the Toronto Raptors play in a long while.

Gloomy state

Great Canadian was hoping to have a busy year in 2020 following the highly productive 2019. This \$1.84 billion company has been ramping up construction activities on several significant developments that should run from 2020 to 2021.

The U.S. operations were sold to focus on core growth markets as part of the short- and medium-term development plans. In November 2019, Great Canadian increased its ownership interests in the GTA and West GTA partnerships in November 2019.

In Q4 2019, Great Canadian saw revenue increase to \$331.4 million (+8%) versus the same period in 2018. For the full year, revenue soared to \$1.356 billion, a magnificent increase of 15%. Management attributes the revenue increases to the expansion of gaming and non-gaming amenities in its Ontario properties.

The coronavirus dampens the otherwise bright outlook of Great Canadian. As of this writing, the stock's year-to-date loss is 22.5%. In the latest trading, the drop was 4.74%.

Flickering star

The Stars Group was also expecting a banner year in 2020. It has successfully executed the strategy

to deliver long-term sustainable growth in 2019. One of the goals is to become the number one iGaming destination in the world. This \$8.24 billion company also forged a landmark media partnership in the U.S. through FOX Bet.

According to Rafi Ashkenazi, Star Group's CEO, the impressive performance of the company's primary sports betting brands drove revenue growth (7% year over year). He added that sports betting is the largest product vertical and that 81% of revenues come from locally regulated or taxed markets.

In preparation to position well for diversified growth in 2020 and beyond, the company also prepaid more than \$450 million of debt last year. The goal in 2020 is to enhance further the global appeal of Stars Group, particularly the PokerStars brand. It would include the launching of the PokerStars Sports brand.

However, all the grand plans to accelerate the overall growth strategy are hanging in the balance. The coronavirus outbreak is causing this gaming stock to sputter. As of this writing, Stars Group has lost 30.7% thus far in 2020.

Hard luck

Luck is not on the side of Great Canadian Gaming and the Stars Group. Likewise, the hands of gaming operators are tied. Even if precautionary measures are in place, one patron that tests positive for coronavirus is reason enough to shut down a business.

The impact of the coronavirus on the gaming industry is likely to be huge in the foreseeable future. Should an industry lockdown happen, it will extend for months. Thus, steer clear of gaming stocks. Your luck might run out, too.

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