



Is Score Media and Gaming (TSX:SCR) Stock Worth the Premium?

Description

There are several high-quality Canadian stocks for investors to consider today, but one that's getting a tonne of attention recently, and for good reason, is **Score Media and Gaming** (TSX:SCR).

Score Media and Gaming is a rapidly growing Canadian company that's caught a lot of investors' attention. The company decided a few years back to enter the sports betting industry, as it was the perfect complement to its highly popular mobile sports app.

The stock was treading water for a while, and when the coronavirus pandemic hit and sports were put on hold, it looked like it might be a while before the company would see any meaningful growth.

That hasn't been the case, though. Sports have returned, and with fewer activities to do because of the pandemic, TV viewership continues to increase. Plus, over the last year, there have been a tonne of positive catalysts for SCR stock. That's why the stock has gained more than 400% in just the last two months.

So, let's take a look at the potential of SCR stock over the next few years.

A record first quarter for SCR stock

Last week, SCR stock recorded its first-quarter earnings of the fiscal 2021 year, and the company posted some impressive results.

It was the strongest quarter ever for SCR stock in terms of gaming handle and media revenue. This is important, as it shows both of Score's major business segments are recovering from the coronavirus pandemic.

The company also reported nearly four million monthly active users in the quarter. These users open theScore mobile sports app on average 116 times a month. That's a lot of eyeballs, and the company has capitalized on that substantially, which is what's led to the record media revenue.

These numbers are even more impressive when you consider that no NBA or NHL regular season games were being played during the quarter.

Plus, in addition to the record revenue, SCR has also been launching its theScore Bet app in Colorado and Indiana. It's targeting more states in the coming quarters, too, with Iowa next as soon as it receives regulatory approval.

This will undoubtedly help its gaming handle to continue to accelerate rapidly, which is why investors have been so impressed by the stock.

Score's long-term potential

In the first quarter, Score's gaming handle grew by more than 330% year over year. This is all based on sports-betting in certain states that Score has received regulatory approval in already.

However, much of the long-term potential lies within Canada though. So, when Canada announced it could legalize single-game sports betting, SCR stock naturally [got a big boost](#).

It's currently the leading mobile sports brand in Canada. This gives it a huge competitive advantage over its competitors. Plus, on top of the potential from sports betting, SCR also has an impressive esports business.

Esports is the least talked about when it comes to SCR's potential. However, it presents a long opportunity for growth, though, especially with [5G internet](#) continuing to become more popular.

In the quarter, theScore esports recorded over 350 million video views, a record for the first quarter. That's 355% year-over-year growth, which is impressive in and of itself. However, management also believes it's a great way to grow its audience and mobile users.

Financials

As of Thursday's close, SCR stock traded for roughly \$3.30, giving it a market cap of \$1.4 billion. While SCR has a tonne of momentum and significant potential, the stock may soon become overvalued. It's worth noting that the highest analyst target price is just \$2.50, giving SCR stock a current premium of more than 30%.

That doesn't necessarily mean that the stock has no upside left. After all, there are several significant catalysts expected over the next few weeks. This includes launching in new states, a shareholder meeting in February to discuss listing the stock on a U.S. exchange, as well as the Canadian government potentially legalizing single sports betting.

However, the premium valuation is something to keep in mind, as SCR stock currently trades at a price to sales of more than 70 times. So, if you're considering an investment in SCR stock, I would make sure you're committed to the long run.

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