



## Score Media and Gaming (TSXV:SCR): Should You Buy the Dip?

### Description

**Score Media and Gaming** (TSXV:SCR)(NASDAQ:SCR) has had a brutal year. The stock has lost roughly 70% of its value since hitting an all-time high in mid-February. It's now worth less than \$1 billion, which means this is a former unicorn.

Score was a big winner in 2020, more than doubling in value, as it became clear it is part of an expanding market in the mobile gaming space. The unveiling of a product that integrates sports fantasy, information, real-time news score, and alerts was exciting for customers and investors alike.

However, enthusiasm in this sector has clearly waned. [Score's rivals in the U.S.](#) have been hemorrhaging market value too. The wider tech sector is clearly in a bear market. This is why investor might want to consider whether this is the best time to buy the dip or to stay away. Here's a closer look.

### Single-game sports betting

Score Media is well positioned to benefit from the legalization of single-game sports betting through its theScore betting app. Bill C-218 is currently being debated by legislators and could pave the way for legal sports betting in Canada. Canada approving single-game sports betting is big news that should extinguish some concerns. But legalization in the U.S. was always the bigger story. Fortunately, it seems Score's expansion down south is continuing unabated.

### U.S expansion

Score Media has expanded its footprint into the U.S. in pursuit of growth opportunities. More states legalizing sports betting should only expand the company's target market, thus expanding its revenue base. TheScore betting app is the most actively used free sports app in Canada, underscores the amount of revenue the company is likely to generate from the single sports-betting business.

Analysts are already projecting a 70%-plus increase in the company's sales. The company's top-line growth signals an acceleration of 79%.

The return of live sports and megaevents this year should help revenues climb back faster. However, investors also need to consider the Score's current valuation.

## Valuation

Score Media currently trades at a premium with a price-to-sales multiple of 44 and price-to-book multiple of 16. The only way to justify that hefty valuation is the prospect of much higher sales and net income once sports betting is legalized. If the market opens up, the Score's top line could multiply rapidly.

However, there's no way to predict how long the legalization drive will take. Legislation is usually slow-moving and difficult to predict. Meanwhile, investors seem to have already priced in the best-case scenario. That means Score stock is speculative at best and dangerously overvalued at worst.

At this point, buying the stock is no better than placing a bet on a horse race. It's a gamble I cannot recommend.

## Bottom line

The legalization of sports betting across North America is long overdue. Once passed, these new rules should create lucrative opportunities for companies like Score Gaming and Media. The revival of live sports this year is yet another tailwind. But at its current valuation, the stock is still overvalued and somewhat risky. For most investors, this is a dip they can afford to miss.

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### Date

2025/08/27

**Date Created**

2021/05/15

**Author**

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