Why theScore (TSX:SCR) Stock Jumped 63% Today!

Description

After delivering stunning returns last year, **Score Media and Gaming** (TSX:SCR) has been subdued this year. The Score stock was down 64% from all-time highs, erasing billions in shareholder value. However, the bargain price seems to have caught the attention of a major American rival, who has now initiated an acquisition of the Score.

Penn National Gaming announced an acquisition deal worth US$2 billion (CA$2.5 billion) in a combination of stock and cash. The Score stock is up 63% on the news. Here's a closer look at what this means for shareholders and North America's online gaming sector.

The deal

Penn National Gaming, a Pennsylvania-based casino operator, is best known for its acquisition of David Portnoy's Barstool Sports. Portnoy's online presence and millions of followers have helped him create one of the fastest-growing media businesses in the sports industry. The partnership with Penn National was meant to disrupt the online gaming sector, as sports betting gets legalized across America.

Penn stock, however, has been steadily declining this year. The stock is down 52% from all-time highs. The team needs a new growth engine and a wider digital media portfolio, which is why the Score was an ideal target.

Penn's management team has offered theScore shareholders US$17.00 (CA$21) in cash and 0.2398 shares of Penn National common stock for each theScore share they hold. The combined value of this deal for each individual investor is roughly US$34 or CA$42.5.

The Score stock recovery

The announcement has helped long-term Score stockholders recover some of their lost momentum. At the time of writing, theScore stock is trading at $37 — a mere 30% below its all-time high of $54. Year to date, the stock is now up roughly 137%, making it one of the best-performing stocks in Canada this year.

However, the stock is still trading 13% below the estimated value of the Penn deal. This seems like an opportunity for short-term traders to cash in. If the deal goes through as planned, it could deliver a swift and sizable return.

The next Score

This deal is a major win for theScore stockholders. However, it will delist Canada's biggest and most popular online gaming company. Investors now have only one alternative left: **Enthusiast Gaming Holdings** (TSX:EGLX)(NASDAQ:EGLX).

Toronto-based digital media company has a sizable and rapidly expanding footprint in the online gaming space. According to its latest report, the company owns roughly a hundred gaming sites and over 1,000 YouTube channels, and it reaches out to over 300 million gamers every month.

This means it could have as much potential as Barstool Sports or the Score in a few years as the industry matures. However, the stock is overlooked and underrated. Even after this deal was announced, the stock is up just 2%. This could be an opportunity for investors who missed out on the Score and are looking for their next big win.

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