Why This Growth Stock Popped 15% Yesterday: Buy Now?

Description

Talk about a notable move on the stock market! Yesterday, growth stock **Bragg Gaming Group** (TSX:BRAG) popped 15% in *a single day*. However, it's still a long way off from its $30-per-share high from earlier this year. If it were to trade at that level again, it would more than double from current levels — specifically, a whopping 160% upside potential.

Just to be clear, the stock is not for the faint of heart. Think of Bragg Gaming as a high-risk stock with the potential to run. For instance, it corrected as much as 70% from its high in February. It could be that it already bottomed a couple of weeks ago, though. Additionally, it hasn't posted a profit yet in terms of positive net income, but that could come as soon as next year.

What triggered the big jump on Monday?

Bragg Gaming is a global gaming technology and content company that owns business-to-business companies in the iGaming industry, including being a casino aggregator.

Over the years, Bragg Gaming has gained operations in Europe, North America, and Latin America and continues to expand globally. Indeed, expansion into new geographies is one of its growth pillars. On Monday, it announced that it was awarded the licence to extend its reach into Greece.

Where else will growth come from?

Additionally, Bragg Gaming aims to grow from investing in its proprietary platforms, diversifying its revenues, and engaging key strategic partners in the industry. For example, in June, the company announced it acquired Wild Streak Gaming, "a Las Vegas, Nevada-based content creation studio with a portfolio of 39 premium casino slot titles supported across online and land-based applications" in a cash and stock deal valued at roughly US$30 million.

In mid-July, Bragg Gaming provided preliminary second-quarter (Q2) guidance that appeared promising. The stock bottomed soon after and popped about 27%. Specifically, management guided that revenue would increase 23.5% year over year, excluding impacts of acquisitions. This would lead to Q2 revenues of €29.2 million (US$34.5 million), leaving its 2021 revenue guidance of €47 million (US$55.5 million) and adjusted EBITDA of €4 million (US$4.7 million) unchanged — again, excluding acquisition impacts.

The Foolish investor takeaway

Bragg Gaming stock saw revenue growth of 77% and a solid gross margin of 44% in the last 12 months. Despite the recent pop, the growth stock is still a long way off from its 52-week high from the substantial stock correction. Patient investors who can stomach the volatility could see their money double from current levels of $11 and change per share.

Notably, the growth stock's balance sheet strength is strong. It has no long-term debt. Plus, its debt-to-asset and debt-to-EBITDA ratios are low at 28.6% and 0.3 times, respectively.

Bragg Gaming will be releasing its Q2 financial results tomorrow. So, there's no need to rush in to buy the stock now. You can wait for the Q2 results to provide the most up-to-date picture of the company before considering a position in the growth stock. Meanwhile, you can do more due diligence on the company to see if it fits your portfolio, investment style, and financial goals.

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