



Could the United States Legalize Online Gambling Any Day Now?

Description

Expansion into the United States has always been a [major potential catalyst](#) for **Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG). And while the company has expanded slowly into the United States, with a variety of applications, there remain multiple issues, such as federal bans on both casino games and sports betting.

The Professional and Amateur Sports Protection Act of 1992 bans sports gambling across the United States. The problem with any prohibition is that people will simply go underground for it. [According to the American Gaming Association](#), US\$10.4 billion was the expected amount to be wagered on March Madness 2017. Only US\$295 million was legal. And with all sporting events in the country, we're looking at hundreds of billions of dollars.

But back in June, the U.S. Supreme Court agreed to hear a case on the constitutionality of this bill. There was significant discussion during the trial, and the court is expected to pass down its ruling any week now. Some are even suggesting it could happen on Monday.

If the Supreme Court says that banning online sports gambling is unconstitutional, going against the 10th amendment — any issue not delegated to the U.S. by the Constitution is thus decided by the states — then New Jersey (which brought the suit) would be allowed to open sports gambling. And then I imagine every other state would do the same.

Getting exposure to each of these states would be a massive win for Stars Group. Therefore, it'd be a massive win for investors that have held on to this company as it grows.

Even if the U.S. Supreme Court says the bill is constitutional, Stars Group is still in a great position to grow, and the numbers show it.

In the fourth quarter 2017, the company brought in \$360 million in revenue with adjusted net earnings of \$112 million. This is compared to \$310 million and \$107 million of revenue and earnings, respectively, in the previous year.

Broken down, poker revenue accounted for \$234 million — an increase of approximately 7.9%. Casino

& Sportsbook revenue came in at \$112.5 million — an increase of 40.3%. One reason that both types of gaming saw such a boost is because of the USD to CAD conversion. Without that, the growth would have been smaller but still impressive.

Looking forward, the company expects to bring in \$1.39-1.47 billion in revenue for 2018 compared to \$1.3 billion in 2017. And adjusted net earnings are expected to be \$487-512 million compared to \$459 million in 2017.

My philosophy on online gambling has always been the same: local jurisdictions, which are starved for tax revenue, will do whatever they can to generate it. That's why I fully expect online gambling to be legalized in the United States — perhaps not under this administration, but it's bound to happen.

When it does happen, Stars Group will be in a position to pounce. Online gambling isn't going anywhere. I believe everyone should have exposure to this rapidly growing market.

CATEGORY

1. Investing
2. Tech Stocks

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date

2025/09/28

Date Created

2018/03/30

Author

jaycodon

default watermark

default watermark