



Stars Group Large Call Buy as Flutter Deal Seen Closing

Ticker/Price: TSG (\$25)

Analysis:

Stars Group (TSG) with 2500 August \$20 ITM calls opening for \$6 as 3000 January \$25 calls are also sold against for \$0.45, unusually large trade in the name that has some size January 2020 calls now deep ITM in open interest set to exercise this week. TSG is an intriguing name for the sports betting and online gambling theme and shares currently consolidating just under \$26.60, rallying since October, a name that traded to near \$40 in 2018 before selling off below \$14 in 2019. The \$7.3B company is trading 12.7X EV/EBITDA and 4.6X EV/Sales with revenues growing 24% in 2019 and seen rising 9.4% in 2020 as comps get tougher following M&A deals, while EPS seen rising 10% in FY20. TSG announced a \$6B merger with Flutter Entertainment in October to grow its lead in the online gaming market which is currently just 11% of a \$480B market, Flutter an owner of Paddy Power, FanDuel, and Sportsbet. Fox Entertainment (FOXA) owns a stake in TSG. Analysts have an average target of \$23 on shares and short interest is 6% of the float. RBC out on 10/28 with an initiation at Outperform and a \$25.50 target seeing it a cheap way to play the Flutter acquisition as it trades at a discount to the deal price on regulatory risk but is likely to be completed. Hedge Fund ownership fell 5.25% in Q3 filings, 3G Capital a top buyer while Value-Act has a 2.2% weighting.

Hawk Vision:



Hawk's Perspective: TSG is being bought in an all stock deal and Flutter is trending nicely the past year with a pullback this week, so TSG a good way to be part of Flutter which is positioned well for the betting theme.

Confidence Ranking: \$\$