# Will Canadian Investors Miss Out on a $2 Billion E-Sports Explosion?

## Description

Is an industry that will be worth $2 billion a year by 2020 getting overlooked by investors in Canada? Competitive video gaming is going to be the next big thing in the global entertainment industry. The bad news is that not enough is being said in Canadian investment circles about the companies involved or the benefits that they can offer to domestic shareholders.



The good news, though, is that there are some great e-sports stocks that you can buy today if you want to get in on this huge growth industry. Here are three of the very best, picked for performance, value, and quality.

**Activision Blizzard** (NASDAQ:ATVI)

The world's biggest publisher of video games, Activision Blizzard isn't exactly a ground-level stock anymore, with steady upward momentum. Should you buy at its current price of $72.75? Down 3.46% today, this high-flying growth stock may see some more mini dips like this, but overall it's going to keep on climbing. Overvalued by $30 a share compared to its future cash flow value, value investors are no doubt staying away in droves.

Its multiples are off the charts, with a P/B of 5.8 times book indicating what kind of value we're talking about today. However, given how big its sector is likely to get, Activision Blizzard is still a buy. Its 16.6% expected annual growth in earnings seems conservative. A dividend yield of 0.45% might also keep income investors entertained while hanging on for those sweet long-term capital gains.

**Electronic Arts** (NASDAQ:EA)

Down 5.68% to $126.21, this stock feels cheap enough today. Overvalued by about $40 a share compared to its future cash flow value, Electronic Arts is trading at 7.8 times its book price. Again, its 10.4% expected annual growth in earnings seems a little low considering the sheer growth ahead of this industry. Electronic Arts has a lower level of debt than Activision Blizzard, and it's better value in terms of its P/E and PEG ratios.

**Nvidia Corp.** (NASDAQ:NVDA)

This stock offers a different kind of play altogether. Rather than investing directly in games publishers, Canadian stock pickers might want to go for the low-exposure route. Nvidia manufactures advanced graphics processing units (GPUs) mostly for PC gaming. Nvidia is also into machine learning, artificial intelligence (AI), and self-driving cars, though most of its income is from gaming.

Overvalued by $36 a share compared to its future cash flow value, Nvidia stock is still worth a buy at $244 if you're a hard-core growth investor. That price is still falling, so keep an eye out for parity with Nvidia's future cash flow value of $208.

Its PEG of 2.3 of times growth seems in line with a 17.2% expected annual growth in earnings (though compare that its 92.9% earnings growth in the last year). However, a poor P/B of 19.8 of times book might put off even the most battle-hardened fans of capital gains. Overall, this stock is healthy, has a great track record, a strong outlook, and is highly desirable.

**The bottom line**

E-sports are going to be bigger than you think. Whatever happens to the global economy, electronic games that connect people all over the world and cost very little in terms of material or financial outlay have all the makings of a major growth industry. Canadian investors can either buy stocks in individual games publishers or go for the low-exposure route and buy Nvidia; this latter play also comes pre-diversified with exposure to the AI and self-driving car markets.



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**TICKERS GLOBAL**

1. NASDAQ:ATVI (Activision Blizzard)
2. NASDAQ:EA (Electronic Arts Inc.)
3. NASDAQ:NVDA (NVIDIA Corporation)

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