This High-Growth Tech Sector Will Make You Stinking Rich

### Description

This year alone, global e-sports income is expected to reach $1.1 billion, representing a massive jump of 27% compared to 2018, with everything from advertising, interesting new sponsorship deals, and a whole host of media rights deals combining to drive revenue from competitive video gaming.



The following three stocks represent three very distinct routes to exposure in this billion-dollar industry. From materials to hardware to retail, here are three of the best companies to invest in if you're bullish on gaming as one of the major entertainment industries of the 21st century.

## North American Palladium (TSX:PDL)

While it may be an indirect route to the e-sports industry, the fact is that snapping up miners of high-cost metals used in the electronics are a smart play in this space. Palladium is used in electrode plating, making it one of the top four metals for an electronics bull to invest in after gold, silver, and platinum.

Down 12.11% in the last five days, there is a clear value opportunity present in North American Palladium. With three-year returns of 124.5%, it's worth the punt, and while its year-on-year returns of 19.1 may not be as high, they still beat the Canadian metals and mining industry as well as the TSX index for the same period.

A one-year past earnings-growth rate of 230.2% is another solid reason to get invested, with a five-year average past earnings-growth rate of 45.6% showing a strong all-round track record. A 22% past-year return on equity indicates high quality, as does a reduced level of debt to net worth, which has been slashed from 107.6% five years ago to the current 8.9%.

## Nvidia (NASDAQ:NVDA)

Up 2.19%, Nvidia is arguably the frontrunner when it comes to e-sports investment, but besides gaming, this one popular tech stock also covers artificial intelligence and self-driving cars, plus the hotly discussed semiconductor industry.

Five-year returns of 935% are significantly high, and anyone holding for that period of time will be surely glad they did. However, Nvidia underperformed the U.S. semiconductor industry over the last year, which itself saw rather lowly returns of 5.1%.

A solid track record and improved balance sheet are on display, with one- and five-year past earnings-growth rates of 36.1% and 49.5% characterizing the former and a reduced level of debt compared to net worth from 30.9% to 21.3% over the past half-decade characterizing the latter.

## GameStop (NYSE:GME)

While far from being an exhaustive list, the closest this roundup can come to being comprehensive would be through including a retailer. GameStop is the obvious choice here, since it covers all bases in terms of gaming paraphernalia. However, negative one- and five-year past earnings-growth rates and an increasing level of debt compared to net worth has increased over the past five years detract from GameStop's track record and balance sheet.

There's good news here, though, since GameStop is selling at considerably less that its future cash flow value; with a P/B of 0.8 times book, it's a nicely undervalued option, while a high dividend yield of 15.25% and significant 121.7% expected annual growth in earnings make for a solid high-growth play.



## The bottom line

North American Palladium is the way to go here if you want to buy Canadian while getting indirect exposure to gaming plus tech in general. A P/E of 6.1 times earnings and P/B of 1.3 times book show great value for money, while a small dividend yield of 0.95% and 4.2% expected annual growth in earnings sweeten the deal. Looking beyond the TSX index, Nvidia is the clear winner for direct exposure.

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**TICKERS GLOBAL**

1. NASDAQ:NVDA (NVIDIA Corporation)
2. NYSE:GME (GameStop Corp.)

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