TFSA Investors: 1 Reason You Need to Invest in Video Games This Decade

Description

This week, I have discussed several sectors that investors would be wise to pay attention to, as we kick off a new decade. Today, I want to discuss one sector that may be overlooked due to its limited exposure in the Canadian stock market. That is the video game industry.

The video game industry is evolving and growing fast

Video games have been around for decades, but for a long time this market was perceived as a niche market that only appealed to the young male demographic. That preconception has been shattered over the course of the last decade. The growth of mobile and cloud gaming has played a big role in attracting a much broader audience. A recent study from the gambling resource *Golden Casino News* estimated that mobile games made up 60% of revenue for the global video game market in 2019.

That is not to say that the big developers did not also put together a stellar year and decade. **Take-Two Interactive**, the New York-based developer that owns Rockstar Games and 2K, has seen its stock increase 29% year over year as of close on January 23. Its second-quarter fiscal 2020 revenue rose 74% year over year to $857.84 million. *GTA V*, which Rockstar released in 2013, became the best-selling entertainment product in any medium in the back half of the 2010s.

A 2019 report from GlobalData projected that the video games market could grow into a $300 billion industry by the year 2025. “Today’s video games industry is in the throes of a huge transformation from a product-oriented business to an as-a-service model,” said GlobalData principal analyst Ed Thomas. The success of games like *Fortnite* have contributed to the industry embracing this model.

Unfortunately, the TSX Index is light on stocks that offer exposure to this industry. What options do Canadian investors have?

Two gaming stocks to watch in the 2020s

theScore creates digital sports experiences through its web, social and esports platforms. Shares of theScore have soared 145% year over year as of close on January 23. The company launched its esports online platform back in 2015.

In November 2019, its YouTube channel exceeded over one million total subscribers, as it has emerged as a leader for e-sports coverage worldwide. In the fourth quarter of fiscal 2019, theScore reported that total video views of its esports content reached a new quarterly record of 85 million. This represented year-over-year viewer growth of 157%.

E-sports is just one element of theScore's coverage. **Enthusiast Gaming**, however, is entirely dedicated to the gaming industry. Its shares have plunged 59% year over year as of close on January 23. In the third quarter, the company completed a merger that creates the largest publicly traded e-sports and gaming organization. This is an exciting development, but it is hard to recommend Enthusiast Gaming considering its poor balance sheet and troubling fundamentals.

The video game industry is a good one to target for investors to start this decade. Of the two above I like theScore over the gamble that is Enthusiast Gaming right now. In both cases, investors will need to accept considerable risk compared to the more established video game stocks that are available in U.S. markets.

CATEGORY

1. Investing
2. Tech Stocks

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/07/19
Date Created
2020/01/26
Author
aocallaghan