



Enthusiast Gaming Stock Is Down 50% in the Last Half Year: Should You Buy the Dip?

Description

Enthusiast Gaming ([TSX:EGLX](#))(NASDAQ:EGLX) is a Toronto-based company that is engaged in the media, content, entertainment, and esports businesses in the United States, Canada, and around the world. The stock reached a 52-week high of \$11.10 in 2021. However, the stock has encountered significant turbulence since peaking in late April. Its shares have [plunged 50%](#) over the past six months as of early afternoon trading on October 13.

Today, I want to discuss whether investors should look to buy the dip in Enthusiast Gaming stock. Let's dive in.

Why Enthusiast Gaming stock has been throttled over the past six months

Enthusiast Gaming is not the only stock in the [video game space](#) that has seen its value plummet over the last half year. **Activision Blizzard** and **Take Two Interactive**, two top video game companies in the United States, have seen their stocks slip from 52-week highs reached in the late winter. Last month, I'd [discussed](#) why I was interested in buying the dip in Enthusiast Gaming.

In September, Enthusiast announced that it would acquire Addicting Games for \$35 million. The move met with a mixed reaction, beyond the upside of stealing headlines. The company's entrance into the casual gaming space offers the opportunity for more revenue growth. However, Addicting Games is an entity that has seen its influence wane in a rapidly evolving space. Investors should be more eager to see Enthusiast expand its reach in the exciting esports business.

Here's why I'm still looking to invest in esports

Interest in esports, which involve organized video game competitions, has ballooned over the past decade. Indeed, viewership for these tournaments has managed to compete with major sports in

recent years. The fall of 2018 saw 99 million television and online viewers watch the *League of Legends* 2018 World Championship Finals. By contrast, the 2018 Super Bowl attracted 103 million viewers. This demonstrates just how significant the interest in esports is.

Enthusiast Gaming's business model seeks to benefit from the interest in this space. In Q2 2021, the company delivered revenue of \$37.1 million — up from \$7.0 million in the second quarter of 2020. Meanwhile, its gross profit more than doubled to \$8.0 million. Its esports division, Luminosity Gaming, was ranked as the most watched team on the Twitch platform for each month of the second quarter. This is a very encouraging development for the young company.

Investors can expect to see its next batch of results in November. Enthusiast Gaming management anticipates solid revenue growth for the remainder of the year. This will be fueled by strong growth in direct sales and from its pipeline of acquisitions.

Should you buy Enthusiast Gaming stock today?

Shares of Enthusiast Gaming are trading in attractive value territory in comparison to its industry peers. Meanwhile, the company boasts a solid balance sheet at the time of this writing. The stock possesses an RSI of 33, putting it just outside oversold levels. I'm looking to snatch up this stock at the low price it offers right now.

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