



## Are Esports the Next Investing Bubble?

### Description

This year, 2021, we've seen some impressive initial public offerings: **Airbnb**, **DoorDash**, **Robinhood**, **Coinbase**. Despite the lag in the economy, as well as the short supply pushing up the prices of just about anything, these companies have hit the ground running, driving share prices fairly high.

Last week, another company announced its initial public offering (IPO): FaZe Clan. Yes, the American esports company announced that it was going public on the **Nasdaq** sometime in 2022. Perhaps the most surprising news, however, was FaZe's valuation of US\$1 billion.

For those unfamiliar with IPOs, \$1 billion is a *lot*. Just for perspective, Shopify was valued at \$1.27 billion in 2015. The company is now worth \$181 billion, so investors weren't disappointed. But the question remains — is FaZe *really* worth \$1 billion? And will it grow or will it flop?

The question could be extended to esports as a whole. Esports, which are basically just highly organized video game competitions, has blown up into a billion-dollar industry, with players competing around the world.

Over the last decade, investors have been pouring money into esports companies. The money has been coming in at such an alarming rate, in fact, experts have compared esports to the dot-com bust, claiming an investing bubble is about to pop.

So is it true? Are esports the next investing bubble? Let's take a deeper dive.

## How esports could be the next investing bubble

First things first: whenever there's hype around something, whether it's esports or space exploration, there's always a counter-hype. And in the case of the esports bubble, I'd say there's a lot of counter-hype.

Some of it is completely reasonable, however. Many investors are concerned that esports companies are valued far above their revenues. In a *Forbes* article published last year, Forbes found that, for the

top 10 esports companies, values exceeded revenue by a factor of nine. That's relatively high for the gaming industry, even if it's average for tech companies.

Others point to the age of esport customers. Many are too young to invest in stocks. With a minimum age of 18 or 19 years old to invest, that cuts out a large portion of the e-sports audience.

With these two factors in mind, I'd say the esports market certainly has some bubbles in it. I don't think the entire market will implode, but I also think we'll see a market correction in the future. It's normal for new industries to go through some corrections, especially with high valuations. I wouldn't put all my savings into esports, and I definitely wouldn't expect share prices to reach Shopify levels.

Like any investment, I would look at the long-term, rather than the short-term. If you're going to invest in FaZe, or any esports company, be sure the company itself is solid. Ask yourself: Do you want this company in your portfolio 15, 20, even 30 years from now? If your answer is yes, buy shares and keep yourself invested for the long run.

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