



Game Stocks and Metaverse Mergers Could Come to Canada

Description

The size of the video game industry is tragically underappreciated. Online games and virtual content generate more revenues than film, music, and podcasts across the world. Titles such as *World of Warcraft* and *FIFA* generate billions of dollars in recurring revenue. The industry becomes more intriguing when you consider how tech giants are focused on creating the [metaverse](#).

Here's why recent game stock mergers and metaverse investments could come to Canada soon.

Game stock mergers

The global video game industry is significantly fragmented. Small indie developers have intellectual property that generates billions in revenue, while mega-corporations from Japan and South Korea actively compete with tech companies in North America.

Unsurprisingly, tech giants have started to consolidate the industry in recent months. **Microsoft** announced a deal to acquire **Activision**, while **Sony** is about to acquire Bungee. **Take-Two Interactive** purchase **Zynga**, while the *New York Times* just completed a deal to takeover Wordle.

This means small- and mid-sized game developers or service providers are now acquisition targets. Canada has plenty of indie game developers, but I believe esports media giant **Enthusiast Gaming** ([TSX:EGLX](#))(NASDAQ:EGLX) could be an ideal acquisition target.

Enthusiast stock has given up 75% of the gains and remains under immense selling pressure. With the stock marked down while fundamentals improve, Enthusiast Gaming could be on the radar of some rival media giant or tech company looking to horizontally integrate.

Improving fundamentals

Improving underlying fundamentals could be the catalyst to trigger a bounce back after last year's implosion. Enthusiast gaming operates in some of the fastest-growing segments of media content

entertainment and eSports in North America. The industry's organic growth is reflected on its books.

The company's core advertising business is doing much better than initially feared. For starters, the company posted 165% year-over-year growth in revenue in Q3 to \$43.3 million. Its gross profit also jumped 146% to \$10.1 million.

The company generates most of its revenue from selling advertising space across more than 100 websites. Strength in direct sales and acquisitions among other casual games for desktop and mobile devices affirms the brand's strength.

The 85% increase in paid subscribers to 107,000 as of September might also signal that the company's products are resonating well with customers. Growing traffic affirms Enthusiast's growing popularity among the Gen Z and millennial audience.

Gaming media's outlook

As gaming continues to take a bigger share of the overall internet traffic, Enthusiast Gaming remains well positioned to generate significant revenue, as it is home to the second most visited gaming property.

Following the recent selloff to two-year lows, Enthusiast Gaming is trading at a great discount relative to underlying growth. While the stock is under pressure, the prospect of a bounce back from recent lows is high. However, an acquisition could be the real catalyst that unlocks value for shareholders. That's why this gaming stock should be on your radar.

Bottom line

Growing interest in the metaverse and the fragmented nature of the gaming industry makes it fertile ground for acquisitions. Enthusiast Gaming could be an ideal target.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. OTC:EGLX.F (Enthusiast Gaming)
2. TSX:EGLX (Enthusiast Gaming Holdings Inc.)

PARTNER-FEEDS

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2. Koyfin
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