



## Enthusiast Gaming (TSX:EGLX): Is This Stock Worth Buying on the Dip?

### Description

The video game industry has experienced huge growth over the past decade. Esports, which is short for electronic sports, involves organized video game competitions. Today, I want to zero in on **Enthusiast Gaming** ([TSX:EGLX](#))(NASDAQ:EGLX). This company is engaged in the media, content, entertainment, and esports businesses in North America and around the world. Today, I want to look at how this stock has performed in the year-to-date period. Is it worth snatching up in the first half of June? Let's jump in.

### How has this gaming stock performed so far in 2022?

Shares of Enthusiast have dropped 15% in 2022 as of close on June 9. The stock has plummeted 59% in the year-over-year period. Its shares last climbed into double digits in the spring of 2021. Unfortunately, this esports stock has steadily decline in the year that has followed. Is there reason for optimism at the midway point in 2022?

### Should investors be encouraged after Enthusiast Gaming's earnings?

Enthusiast Gaming unveiled its first-quarter 2022 earnings on May 16. It reported revenue of \$47.2 million, which was up 57% from the previous year. The company was able to achieve this increase on the back of improved content viewership, stronger RPMs across its web and video, higher subscription revenue, as well as two fruitful acquisitions. Moreover, gross profit surged 127% year over year to \$13.5 million. The company also posted direct sales growth of 136% to \$5.2 million.

On the operational side, Enthusiast Gaming reported that its audience consumed 11.3 billion views of content across the web and video platforms. That was up 14% from the prior year. Luminosity Gaming, one of the world's largest esports organizations, saw its total social following reach 145 million globally in January 2022. Enthusiast also ranked as the largest property in the Games category in the United Kingdom and Canada.

## Enthusiast Gaming: Is it a buy today?

In late May, Enthusiast Gaming's board of directors was targeted by an activist investor: Greywood Investments. Greywood Investments called for a shakeup in the company's leadership in response to the struggling stock price. The company quickly released a statement that called the letter "misleading" and "baseless."

Investors should be eager to get in on the broader esports space in 2022. Earlier this year, ResearchAndMarkets released a report on the state of the global esports market. It projected that the global esports market would reach \$3.57 billion by 2027. That would represent an attractive CAGR of 21% over the forecast period.

Shares of Enthusiast Gaming are trading in very favourable value territory compared to its industry peers. Meanwhile, it is well positioned to deliver strong revenue growth in the years ahead. That said, the company is still several years away from achieving profitability. The [price pressure](#) on its stock could lead to an internal struggle after the first shots have been fired by this activist investor.

I'm looking to snatch up this exciting esports stock in the face of broader volatility.

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1. Investing

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

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