



Should You Buy Enthusiast Gaming (TSX:EGLX) Stock After Earnings?

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 video game industry has enjoyed strong growth over the past decade. Today, I want to discuss how this trajectory could work in Enthusiast's favour going forward. Moreover, we'll look at its recent quarterly report. Let's jump in.

How has this gaming stock performed so far in 2022?

Shares of Enthusiast Gaming have [dropped 28% in 2022](#) as of close on August 15. Moreover, the stock has plunged 58% in the year-over-year period. This occurred after the stock had reached double digits in price in the spring of 2021. Unfortunately, it has suffered a steady decline in the year that has followed.

The esports space has delivered impressive growth over the past decade. Esports events have grown in popularity. Market researcher Grand View Research estimated that the global esports market was valued at US\$2 billion in 2021. Grand View projects that the market will deliver a compound annual ground rate (CAGR) of 21.9% from 2022 through to 2030. This is a market that investors should be eager to get in on.

Should investors be encouraged by Enthusiast Gaming's recent earnings?

Enthusiast Gaming unveiled its second-quarter fiscal 2022 earnings on August 15. It delivered revenue growth of 38% year over year to \$51.1 million. This was powered by improved direct sales, higher subscription revenue, and the acquisitions of the Addicting Games and U.GG properties. Meanwhile, the company posted gross profit of \$15.3 million — up 91% from the previous year. This represented Enthusiast's highest quarterly gross profit in its history.

Direct sales soared 111% year over year to \$9.3 million. This was driven by renewals and additional business with existing customers at Enthusiast. That accounted for a whopping 71% of direct sales in the second quarter of 2022. Moreover, subscription revenue jumped 75% from the second quarter of fiscal 2021 to \$3.5 million. This was powered by paid subscriber growth as well as “pricing optimization.” Paid subscribers climbed 66% year over year to 258,000.

On the operational side, Enthusiast scored new business with giants like **Adidas**, StateFarm, HBO Max, Fanduel, **Toyota**, and others. Meanwhile, it made progress with its new acquisitions that included the expansion of the U.GG desktop application. Moreover, the company introduced in-game advertising and play-to-earn for a batch of Addicting Games titles.

Enthusiast Gaming: Is the stock worth buying right now?

Canadian investors should be inspired to get in on the esports business. Indeed, it is well positioned to boost its popularity in the years ahead, and Enthusiast is in a great position to capitalize on that trend. Moreover, the company is on track for strong revenue growth going forward.

Shares of this gaming stock are trading in favourable value territory relative to its industry peers. I’m looking to snatch up this gaming stock on the dip after its second-quarter earnings release.

CATEGORY

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2. TSX:EGLX (Enthusiast Gaming Holdings Inc.)

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aocallaghan

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