



2 Top Metaverse Stocks to Buy in November 2022

Description

The global metaverse market was valued at US\$40 billion in 2021 and is forecast to surpass US\$1 trillion by 2030, making it one of the fastest-growing verticals in the world, according to a report from Precedence Research.

While still at a nascent stage, the metaverse segment is all set to explode in the upcoming decade. Defined as an online and immersive 3D world, the metaverse will soon be accessible by billions of people, making it the next big social media trend.

But developing a robust metaverse is capital intensive and may easily take up to a decade. Alternatively, early-stage investors can look to buy shares of companies operating in the metaverse space and benefit from exponential gains over time.

I have identified two such metaverse stocks in **Meta** ([NASDAQ:META](#)) and **Roblox** (NASDAQ:RBLX) that may enjoy a first-mover advantage and benefit from a rapidly expanding addressable market.

Meta stock is down 75% from all-time highs

One of the worst-performing stocks on the S&P 500 index, Meta Platforms is down 75% from record highs, valuing the company at US\$247 billion by [market cap](#). Trading at its lowest level since 2016, Meta has now reported two consecutive quarters of revenue decline. Further, an inflationary environment will also drag profit margins lower by as much as 30% year over year.

In fact, analysts expect Meta's revenue to fall by 1.1% to US\$116.6 billion, while earnings might narrow by 33% to US\$9.32 per share in 2022.

Meta continues to allocate significant resources toward building the metaverse. Its Reality Labs segment includes augmented and virtual reality related hardware, software, and content. In the first nine months of 2022, Reality Labs reported revenue of US\$1.43 billion compared to US\$1.39 billion in the year-ago period. But losses for this business rose to US\$9.43 billion compared to US\$6.89 billion in the same period last year.

During third-quarter earnings, Meta emphasized, “We do anticipate that Reality Labs operating losses in 2023 will grow significantly year over year. Beyond 2023, we expect to pace Reality Labs investments such that we can achieve our goal of growing overall company operating income in the long run.”

Valued at just over 10 times [forward earnings](#), Meta stock is extremely cheap. But it has to return to revenue growth and expect the metaverse business to drive sales in the future to regain investor confidence.

Roblox stock is down 57% in 2022

A company that is building the early stages of the metaverse, Roblox is valued at a market cap of US\$27 billion. Noted musicians, including Lil Nas X and Tai Verdes, have already held virtual concerts on Roblox, and the platform is well positioned to gain mainstream appeal from the masses.

Last month, Roblox revealed its metrics for the month of September, where daily active users rose by 23% to 57.8 million and the total number of hours engaged rose 16% to four billion. Analysts tracking Roblox expect sales to grow by just 4.7% to US\$2.86 billion in 2022, which is quite tepid for a company valued at nine times forward sales. But the top line is expected to accelerate by 11.4% to \$3.18 billion in 2023.

While RBLX stock is expensive, its bet on the metaverse may pay off, allowing the company to deliver outsized gains to investors.

CATEGORY

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Date

2025/09/08

Date Created

2022/11/01

Author

araghunath

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