



Better Gaming Buy: Take-Two Stock or Electronic Arts?

Description

Electronic Arts ([NASDAQ:EA](#)) and **Take-Two Interactive Software** ([NASDAQ:TTWO](#)) have both had immense success in the world of video game stocks. The companies have released some of the world's most popular and lucrative game franchises, including *Grand Theft Auto*, *Red Dead Redemption*, *FIFA*, and *Madden*. Consequently, investors looking to add a gaming stock to their portfolio might consider one of these companies.

Like most [gaming stocks](#) in 2022, Take-Two and EA have taken hits to their share prices, as rises in inflation have caused declines in consumer spending; tech stocks, in general, have similarly been affected. Take-Two's stock price has fallen 42% since January, while EA's sunk 3% in the same period.

Take-Two and EA each have positives and negatives regarding financial stability and long-term outlooks; however, one is the smarter and better buy. Let's assess.

Take-Two: Home of the world's most profitable entertainment product

Take-Two's most successful product by far has been its game *Grand Theft Auto V*, which was released in September 2013. Its tremendous popularity led it to become the fastest entertainment release to earn \$1 billion, and in 2018, it became the most financially successful media title of all time when it reached \$6 billion in revenue. The company achieved this feat with regular updates to the online portion of the game and rereleases on new generations of game consoles over the years. In 2020 alone, *Grand Theft Auto V* brought in \$911 million for Take-Two from game sales and in-game purchases.

Then in May, Take-Two took a step to diversify its earnings and enter the \$140.5 billion mobile gaming market by acquiring Zynga for \$12.7 billion. Mobile gaming has blown up in recent years, with the market expected to be worth \$173.4 billion by 2026 — an increase of 23.4%. The industry's meteoric rise can also be seen through Zynga's revenue, which rose from \$907.2 million in 2018 to \$2.8 billion in 2021.

As part of its results for the second quarter (Q2) of 2023 results, Take-Two said it is cutting its expected revenue for the current fiscal year by \$320 million. Take-Two used to think it would make between \$5.73 billion and \$5.83 billion, but now it thinks it will make between \$5.41 billion and \$5.51 billion. The company says that the lower projections are due to lower expectations for its mobile business and changes in the release schedule for the next few months.

Take-Two has had a rocky quarter, but its outlook is promising, with a venture into mobile gaming and a new edition of the *Grand Theft Auto* franchise on the way.

Electronic Arts: The king of sports games

Founded 40 years ago, in 1982, Electronic Arts has been a fixture in the gaming industry longer than most. While Take-Two added mobile gaming to its business in 2022, EA's mobile bookings hit \$1.2 billion in the 12 months ending in June — a 49% increase year over year. The company is a leader in sports games across multiple platforms, including Xbox, PlayStation, and PC. Its fiscal year 2023 guidance for net bookings is about \$7.65 billion to \$7.85 billion — about 42% more than Take-Two's projections for the same period.

Additionally, EA has kept up with current trends in the gaming industry, offering its subscription-based service EA Play. Between September 2020 and December 2020, the service grew from 6.5 million members to 13 million, doubling in three months.

The company's subscription service, along with the in-game purchases prevalent in nearly all its popular sports games, has EA's free cash flow on pace to reach \$1.5 billion in 2022. In addition to more game development and marketing resources, the company has a history of sending that cash back to shareholders in the form of [dividends](#), which makes the stock an attractive buy.

Furthermore, EA's robust content library makes it less susceptible to stock declines based on a single game's performance. EA's multiple well-established sports franchises and other series, such as *The Sims* and *Star Wars: Jedi* provide the company and investors with more stability.

Which is the better buy?

Both of these gaming companies offer promising outlooks for the long term. Take-Two's acquisition of Zynga will significantly increase revenue as the company expands into mobile gaming. However, Electronic Arts's proven financial stability and more established business make it a better and safer buy for prospective investors. EA is the kind of stock that shareholders can buy and hold for the long haul, allowing their money to work for them.

CATEGORY

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2. Tech Stocks

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2. NASDAQ:TTWO (Take-Two Interactive Software Inc.)

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