



Now's the Time to Buy These Video Game Stocks

Description

The worst might be behind the three leading U.S.-based video game companies. After a bruising 2018, shares of **Activision Blizzard** ([NASDAQ: ATVI](#)), **Electronic Arts** ([NASDAQ: EA](#)), and **Take-Two Interactive** ([NASDAQ: TTWO](#)) have all rebounded more than 20% year to date. The stocks got a boost last month when two analysts issued bullish reports citing strong preorder sales trends for upcoming releases.

It's not too late for investors [looking for a growth stock](#) to jump on board. At the rate the industry is growing, sales of video games should double to \$300 billion in the next decade. But with the leaders down from their 2018 highs, now could be a good time to consider buying one of the leaders before better news sends these stocks higher.

New games expected to drive strong sales

While Activision Blizzard is making good progress to [keep player engagement up with more content releases](#), one analyst with Piper Jaffray thinks EA and Take-Two are the best video game stocks to buy right now. The analyst believes that a less crowded game release schedule this fall will allow EA's upcoming *Star Wars: Fallen Order* (releasing Nov. 15) and Take-Two's *Borderlands 3* (releasing Sept. 12) to stand out and sell more copies. Both franchises are pillars in EA and Take-Two's respective lineups, with an established base of millions of players for each series.

An analyst with Cowen thinks EA's *Star Wars: Fallen Order* will sell 12 million to 13 million copies, much better than the 9 million copies *Star Wars: Battlefront 2* sold in the fiscal third quarter of 2018. *Battlefront 2* suffered from EA's overly aggressive in-game monetization of add-on content, which turned off many players. That's a mistake EA would like to avoid with *Fallen Order*.

The same analyst believes Take-Two's *Borderlands 3* will sell about 9 million units. Take-Two is known for the *Grand Theft Auto* franchise, of which the fifth installment has [sold an astronomical 110 million copies](#) since its 2013 release. However, *Borderlands* is also a very popular franchise, with the previous two installments selling 48 million copies combined.

The momentum is building for *Borderlands 3*. Take-Two previously reported that 4 million players engaged with the add-on content released in June for *Borderlands 2*, which was meant to serve as a prequel for the third installment. Plus, previous versions of the game have already sold 6 million units since April as players catch up on older content.

The analyst also believes Activision's *Call of Duty: Modern Warfare* will sell 24 million copies, making it the top-selling title of the year, which would keep the *Call of Duty* franchise on top as the best-selling console title over the last decade. With the *Overwatch* maker [focused on growing advertising revenue](#), esports, and other initiatives, the annual *Call of Duty* release is still a significant money maker for the company. It was one of three games that made up 58% of Activision's total revenue in 2018.

Investors are slowly changing their mind about gaming stocks

What seems to have investors most excited is that Cowen's preorder research shows *Star Wars: Fallen Order* and *Borderlands 3* tracking ahead of what the firm believes to be implied in EA and Take-Two's guidance. If Cowen's sales estimates are accurate, EA and Take-Two could report better-than-expected earnings in the next few quarters.

Keep in mind, video game companies are notorious for playing the underpromise-overdeliver game, so better-than-expected earnings results would not be earth-shattering news. Still, with growth expectations down over the last year, all it would likely take is one or two exceptional quarters to change investors' perception of the growth trajectory for the leading video game makers.

If you've been on the fence about investing in video game stocks, now is a good time to consider stepping up to the plate. The industry is expected to grow 9% per year through 2022, and analysts expect Activision, EA, and Take-Two to grow revenue and earnings next year. Take-Two stock is already flirting with new highs, while shares of Activision Blizzard and EA are still down — but these top video game stocks won't stay down forever.

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1. NASDAQ:ATVI (Activision Blizzard)
2. NASDAQ:EA (Electronic Arts Inc.)

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