

Video game industry is booming with continued revenue

The video game industry is growing with new products and technology and could be worth nearly \$138 billion by the end of the year.

CNBC

Kellie Ell, 18 July 2018

Video game engagement continues to grow and that could mean big returns for investors interested in the space, Samantha Greenberg, chief investment officer and managing partner at Margate Capital Management, told CNBC.

5 As technology expands so will video content, products, virtual reality, special events and video game tournaments. These are just some of the ways the industry is turning into a "recurring revenue model" and capitalizing on increased demand, Greenberg said.

"That means that the initial purchase of a game is just the beginning of a game's monetization," Greenberg said Wednesday on "Closing Bell."

10 Whereas the industry "used to be a very hit-driven business tied to new game releases," she said, now investors have a "more predictable and valuable earnings stream."

Gamers around the world will likely spend around \$138 billion on games this year, according to Newzoo's Global Games Market Report. The market research firm tracks usage and trends of video games, mobile and esports. The figure represents a 13.3 percent increase year over year, or an extra \$16.2 billion.

15 Competitive esports events are increasing as well. PGI 2018, or PlayerUnknown's Battlegrounds, a gaming tournament, will bring competitors from around the world to Berlin later this month for their chance at a \$2 million prize, the largest in the tournament's history.

20 Greenberg predicts the video gaming trend will only accelerate, as engagement grows with young people, women and on college campuses. She said more than half of teenagers play video games and for several hours each day. Video games are also cheaper to consume than cable television or going to the movies, she said.



Akio Kon | Bloomberg | Getty Images

Attendees play Activision Blizzard Inc.'s Overwatch computer game at the AOC Open e-Sports event in Tokyo.

Greenberg declared Take-Two Interactive, a video game holding company, as her best stock idea during CNBC's eighth annual Delivering Alpha conference in New York Wednesday.

25 Take-Two Interactive is up more than 60 percent in the last 12 months. Greenberg said valuations for the company will continue to rise and set a best-case price target for the company of \$176. That's an increase of nearly 40 percent from current levels.

Another company to watch is Electronic Arts, said Timothy O'Shea, an analyst covering the video game sector at Jefferies, who set a \$155 price target on shares.

30 "Gaming is taking market share from every other form of media," O'Shea said Friday on "Power Lunch." "It's growing faster than movies, TV."

35 Meanwhile, privately held Epic Games, developer of last year's Fortnite Battle Royale game, announced on Thursday that it had made more than \$1 billion from in-game revenue, or by selling features during the game, such as extra costumes for players, according to data from market research firm SuperData. The game is free to download and play. The success of the game is another sign that the video game industry is becoming increasingly mainstream, O'Shea said.

Greenberg said Fortnite, in particular, hits on "the zeitgeist of what appeals to tweens and teens," with its cartoonish look and elements of pop culture.

In fact, she said, the game is "training an entire user base on in-game monetization and continual purchases, even after you've downloaded the initial game."