Top Video Game Stocks To Watch After Activision Blizzard Beat Estimates

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Activision’s Strong Earnings Are Putting These Video Game Stocks On Investors’ Radar

Video game stocks may be under pressure along with the stock market pullback this week. But one thing’s for sure. That is their fundamentals remain intact, at least in the near term as the coronavirus pandemic acts as a short-term tailwind. For instance, Activision Blizzard (NASDAQ: ATVI) has topped analysts’ expectations for the first quarter, thanks to its popular “*Call of Duty*” and “*Candy Crush*” franchises.

During its first quarter, revenue came in at $2.07 billion, beating estimates of $1.78 billion. Activision Blizzard reported earnings of $0.84 per share, topping analysts’ estimates of $0.70 per share. Following the earnings announcement yesterday, the company’s stock is up by about 5% at market open. There’s no question that stay-at-home measures have left millions of people staying at home with not many activities to do. And this sent video game sales through the roof.

Of course, top video game stocks are feeling the pressure across the board with the stock market today still reeling from the recent tech rout. This would prompt some investors to offload these profitable names. However, many analysts see

gaming as a high-growth industry that will only expand with time. Be it from a short-term trading or long-term investing perspective, the gaming industry is one attractive sector to keep an eye out for. That said, will budding investors be putting down their controllers and put up a list of some of the best video game stocks to buy right now?

Video Game Stocks To Buy [Or Sell] In May

Electronic Arts Inc.

The first company on this list of top video game stocks to watch this earnings season is Electronic Arts. Electronic Arts is currently one of the world’s largest video game publishers. It has grown to now be the largest video game related company in the United States by revenue and market cap. Some of the games that it produces include Need For Speed, EA Sports, Battlefield, Star Wars, and much more. So let’s look at what this large video game corporation has been up to in recent times.



Source: TD Ameritrade TOS

The company recently announced that it has sealed the deal to acquire Glu Mobile (NASDAQ: GLUU). With this acquisition, it should help supercharge Electronic Arts' efforts in the mobile gaming space. Electronic Arts quoted its CEO, Andrew Wilson, as saying that, with Glu Mobile in its portfolio, "*We are forming a powerful growth engine that will expand our current games and deliver more amazing new experiences across sports, lifestyle, mid-core, and casual for players everywhere.*"

Electronic Arts is expected to deliver its upcoming quarterly results after the market closes on Tuesday, May 11. The gaming company has beat expectations for the last four quarters. According to data by Refinitiv, revenues will increase 16.6% and 24.5% in fiscal 2021 and 2022 respectively. With all that in mind, would you put EA stock on your watchlist ahead of its financial results next week?

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Nintendo Co. Ltd.

The next video game stock to include on your watch list is Nintendo. The company is famous for creating consoles such as the Wii, Game Boy, Super Nintendo, and most recently the Nintendo Switch. One can simply assume that the Nintendo Switch gaming system is the face of the company right now. The success of this hybrid console has sent Nintendo stock over the roof in recent years. The company is slated to report its quarterly earnings before the opening bell on Thursday, May 6.



Source: TD Ameritrade TOS

Undoubtedly, the majority of Nintendo's business right now comes from Switch consoles and their game sales. Thus far, things are going extremely well for the company as it sold 24.1 million hardware units for the nine months ended December 2020. This represents a sales growth of 35.8% year-over-year.

The strong market presence from Nintendo is not unwarranted. First, the Switch can be used as either a handheld device or a console docked to the TV. From this flexibility, it creates more opportunities for engagement with families and friends

with exclusive titles like Mario Kart 8, Just Dance, and Animal Crossing, just to name a few. The growth rate for Nintendo looks fantastic. And NTDOY stock has risen more than 300% in the past 5 years. If you believe that the Switch could bring more growth to the company, what would happen when the company launches the rumored 'Switch Pro'? Only time will tell.

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Sony Corporation

Sony is a gaming company that has developed the PlayStation series, arguably one of the most popular gaming consoles in the world. It also develops and sells a wide array of electronic equipment, instruments, and devices for consumer and industrial markets. The company recently reported its fourth-quarter earnings and managed to beat estimates.



Source: TD Ameritrade TOS

In detail, the company reported a net income that surged by over 700% to $983 million. That translates to an earnings per

share of $0.79. Sony also reported that total sales for the quarter were a whopping $20.4 billion, up by over 26% year-over-year. This huge increase in sales likely came from its new generation console released late last year. The PlayStation 5 had been in limited supply immediately upon launch and that continues to be the case.

Given how it has been 7 years since the company's previous-generation PlayStation was released, many consumers were eagerly waiting to upgrade their gaming systems. With SONY stock trading sideways for most of this year, would you consider adding it to your portfolio?

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Microsoft Corporation

Tech giant Microsoft has also diversified into the video game industry for some time. The company released a strong quarter last week, with revenue and earnings beating analysts' estimates. While the company is more of a software company than a video game company, its own Xbox gaming console is one of the best sellers in the gaming market.



Source: TD Ameritrade TOS

That said, Microsoft also began to look at game development verticals, bagging Bethesda game publisher in a $7.5 billion deal with Zenimax. Such a smart acquisition means that Microsoft can lock some of Bethesda's current and future games as exclusives. And that could increase profits for its gaming division. In fact, from its recent quarter, gaming is one of Microsoft's fastest-growing business segments. The post-pandemic recovery should see a rebound in the company's non-gaming products, driving its growth in 2021 and 2022.

Microsoft has long been known as one of the "*Big 3*" video game companies besides Sony and Nintendo. But with its strong position in the cloud gaming market with Azure, I won't be surprised if the company is laying further plans to expand its cloud gaming market share. With Microsoft looking to thrive in the gaming industry in the near future, will this be enough for you to consider MSFT stock?

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