

Gaming is booming in China as the coronavirus means more time at home

With the coronavirus still raging on in China and 70,548 confirmed cases, and 1,770 deaths it is no wonder that much of China remains in lockdown. As a result, online gaming activity is setting record highs in China as more people spend more time at home.

The implication for investors is that Chinese gaming-related companies should be in for a booming quarter when they next report results. While some of this is already priced into gaming stocks, should the coronavirus last longer more gains can be expected.

Tencent rallies 10% in the past month as more Chinese stay at home gaming

Last month when I wrote: "The Wuhan Coronavirus crisis leads to some investment opportunities" I mentioned that Chinese internet stocks can be possible winners including gaming and social media giant Tencent (OTC: TCEHY). The stock has rallied 10% since then. The longer the coronavirus has a significant impact then I expect the Tencent rally to continue.

Game live streaming hours watched up 17% in January

VentureBeat just reported that game live streaming was up 17% to nearly 500 million view hours in January 2020. The most popular streaming sites were Amazon's Twitch (NASDAQ: AMZN), Alphabet Google's (NASDAQ: GOOGL) (NASDAQ: GOOG) YouTube Gaming, Facebook Gaming (NASDAQ: FB), and Microsoft (NASDAQ: MSFT) Mixer.

In China, Tencent backed Douyu and Huya will benefit from

increased live streaming. Ironically Douyu's headquarters is located in Wuhan, the center of the coronavirus epidemic.

A game called 'Plague Inc.' has become highly popular and is like the real-life coronavirus threat

Ironically one of the most popular games in China nowadays is titled "Plague Inc". It involves trying to spread a deadly disease globally. The game maker Ndemic Creations said their 'website had gone offline due to high levels of gameplay'. 'Plague Inc.' was China's most downloaded App last month.

Plague Inc. – Can you infect the World?



Source

Cloud gaming is just starting now

Cloud gaming involves internet streaming to deliver games on your device of choice. It allows you to play against competitors globally. Key companies in the market are Google Stadia, Microsoft xCloud, Sony Playstation Now, Apple Arcade, Shadow, Vortex, Parsec, and Nvidia's GeForce Now.

The concept is that for those who want the best games without paying for expensive hardware, then they can login via an internet service to a cloud games provider for a subscription fee. There is also an acronym 'Gaming as a Service' (GaaS). A key here is many people cannot afford a quality gaming device but want to access top-quality online gaming via their smartphone.

In recent news, Activision Blizzard removed all its games from NVIDIA's GeForce Now cloud gaming service earlier this week. The report said that "the games are likely to return subject to a commercial agreement between the two parties".

Cloud gaming is forecast to take-off



Source

Closing remarks

The gaming world never stands still. The coronavirus may be causing a spike in Chinese gaming, but globally gaming is taking off in many ways. ESports revenues are growing at 25%+ pa with revenues now exceeding US\$1b. Smartphone gaming with games such as the super popular 'Mobile Legends' is growing massively, especially in Asia where many consumers only own a

smartphone. This brings me to the next big thing in gaming, cloud gaming or Gaming as a Service. If it can gain enough scale and competition then subscription prices will fall, and the worlds 3.2 billion plus people who own a smartphone can be possible future subscribers. That number is expected to approach 4 billion by end 2021.

Coronavirus lockdown leads to more gaming and esports

The esports and gaming sector may prove to be a surprise winner as ~45 million plus Chinese are in lockdown to prevent the spread of the coronavirus. The Chinese are huge gamers and love their esports. In terms of users, China is the world's largest game streaming market, with approximately 4.9 times the monthly active users of the U.S. market in 2018.

Being confined to your home means spending more time and money online, which may prove a boost to the Chinese esports and gaming sector in H1 2020.

China coronavirus lockdown may boost Chinese gaming and esports

Some key stocks and ETFs to benefit from increased gaming and esports in China include:

- **Tencent (OTC: TCEHY)** – The China leader in esports game streaming, and the online gaming sector. Tencent acquired Riot Games and now owns the very popular League of Legends game. Tencent owns the number 2 ranked game streaming platform in China named DouYu. DouYu primarily focuses on the live-streaming of games, and had 159.2

MAUs in Q1 2019. Tencent also makes various pc and mobile games.

- **Huya (NYSE: HUYA)** – Huya is known as the “Twitch of China”, and is the number 1 ranked game streaming platform in China.
- **NERD and ESPO** – For those preferring an esports ETF, then NERD and ESPO are two of the best to consider. They do have broader global esports and gaming exposure with NERD being more aligned to esports.

Enthusiast Gaming continues to fly under the esports radar

A report this week titled: “How a prominent B.C. family business created the biggest e-sports gaming network in North America”, looked at the history of Enthusiast Gaming and the Aquilinis family. Essentially the story describes the Aquilinis family involvement in building a giant esports pure-play company. What is amazing is how fast they have progressed and yet they still fly under most investor’s radar.

Enthusiast Gaming Holdings Inc. (TSXV: EGLX | OTCQB: EGHIF) is one of the fastest-growing esports companies globally, and one of only a few publicly traded, pure-play esports and gaming companies. Enthusiast Gaming has the largest gaming network in North America and the English speaking gaming regions. The long term vision for the Company is to build the largest, vertically integrated esports and gaming company in the world. The Company reaches more gamers than Twitch, IGN, Gamespot in the USA; and reaches over 200 million gamers on a monthly basis, with 1 billion page views.

Atari is opening its own gaming hotels in eight US cities

Atari is best known for its games which began back in the 70’s. But now the Company is responding to the esports phenomenon. Atari plans to open their own chain of branded hotels that will feature spaces for virtual reality and augmented reality, studios for streaming games, and venues for

throwing esports events. What a brilliant idea.

Atari hotels focused on gaming and esports streaming and events planned to open in about 2 years



Source

Torque Esports signs a deal with Microsoft Xbox Game Studios

Torque Esports (TSXV: GAME | OTCQB: MLLLF), via its subsidiary UMG Media, has signed a deal with Microsoft's (NASDAQ: MSFT) Xbox Game Studios to operate and broadcast the Gears 5 Esports Challenger Series Finals. UMG Media is a leading platform for online tournament play and esports entertainment events.

Top esports games 2020

Games Radar took a look at the top esports games in 2020 and the top performers were (in no particular order):

- Counter-Strike: Global Offensive
- League of Legends

- Fortnite
- Dota 2
- Call of Duty
- Overwatch

I would add in Mobile Legends to the list.

Mobile Legends Vs League of Legends – What’s your favorite game?



Source

Wrap Up

As investors look for ways to still make money if the coronavirus remains a concern in H1 2020 the gaming and esports sector is definitely one to consider.

The Atari gaming and esports hotel concept looks to be a big winner and I look forward to visiting an Atari hotel one day.

An update on the latest news in the esports sector for January 2020

Esports is a booming sector with a growth rate of around 25% per annum. Esports global revenues are estimated to have increased by 27% in 2019, to exceed US\$1 billion in revenue for the first time. The esports global audience in 2019 was 454 million, and this is forecast to reach 645 million by 2022.

The latest major news in the esports sector

January 7, 2020 – Tencent (OTC: TCEHY) invests in Bayonetta and Vanquish games developer PlatinumGames. Tencent already has investments in Activision Blizzard (NASDAQ: ATVI), Ubisoft Entertainment (FR: UBI), and Epic Games (private) (Epic owns the popular game Fortnite), and owns Riot Games. In other Tencent news on January 22 Tencent bid \$148 million for online computer games maker Funcom, well known for their 'Conan the Barbarian' games.

Tencent owns Riot Games who makes the hit 'League of Legends' game played in esports tournaments LoL & LPL



Source

January 7, 2020 – Electronic Sports League (ESL) and DreamHack, both part of the leading international entertainment group Modern Times Group (MTG), announced a three-year-long strategic agreement with Blizzard Entertainment (a subsidiary of Activision Blizzard). The ESL announcement states: “The world’s largest esports company and the premier gaming lifestyle festival organizer will create new ESL Pro Tour formats for both StarCraft® II and Warcraft® III: Reforged™, with Blizzard providing a respective prize pool of over US\$1.8 million and over US\$200,000 for the first season.”

Note: Activision Blizzard’s most popular esports franchises include Call of Duty, World of Warcraft, Overwatch, StarCraft, and Hearthstone. They also own the esports platform Major League Gaming (MLG) and the Overwatch League (OWL).

January 14, 2020 – Simplicity Esports and Gaming Company (OTCQB: WINR) has struck a deal with Flamengo to administer Flamengo’s esports businesses in Brazil and in the USA. Jed Kaplan, CEO of Simplicity Esports stated: “The ownership of a franchise in CBLol (Brazil League of Legends) would be a

monumental step for Simplicity Esports and we believe we are on a direct path toward such ownership in one of the largest esports regions in the world.” Simplicity is already a well established operator of esports gaming centers and an owner/manager of several esports teams.

January 20, 2020 – Whilst not yet an esports threat – Tik Tok owner ByteDance (private) is readying a move into Mobile gaming to take on industry giant Tencent.

January 27, 2020 – Enthusiast Gaming (TSX: EGLX | OTCQB: ENGMF) graduates to the Toronto Stock Exchange (TSX) from the TSX-V exchange. Their ticker remains as ‘EGLX’.

January 29, 2020 – Fan engagement platform GLHF has partnered with Finnish organization ENCE, Swedish organization GODSENT, and Ukrainian organization Natus Vincere. GLHF plans to launch on a global basis in early March 2020. GLHF aggregates facts on teams, match VODs, live streams, events, and other interactive elements for fans to follow their favorite teams; thereby helping the teams to get closer to their fans and grow revenues.

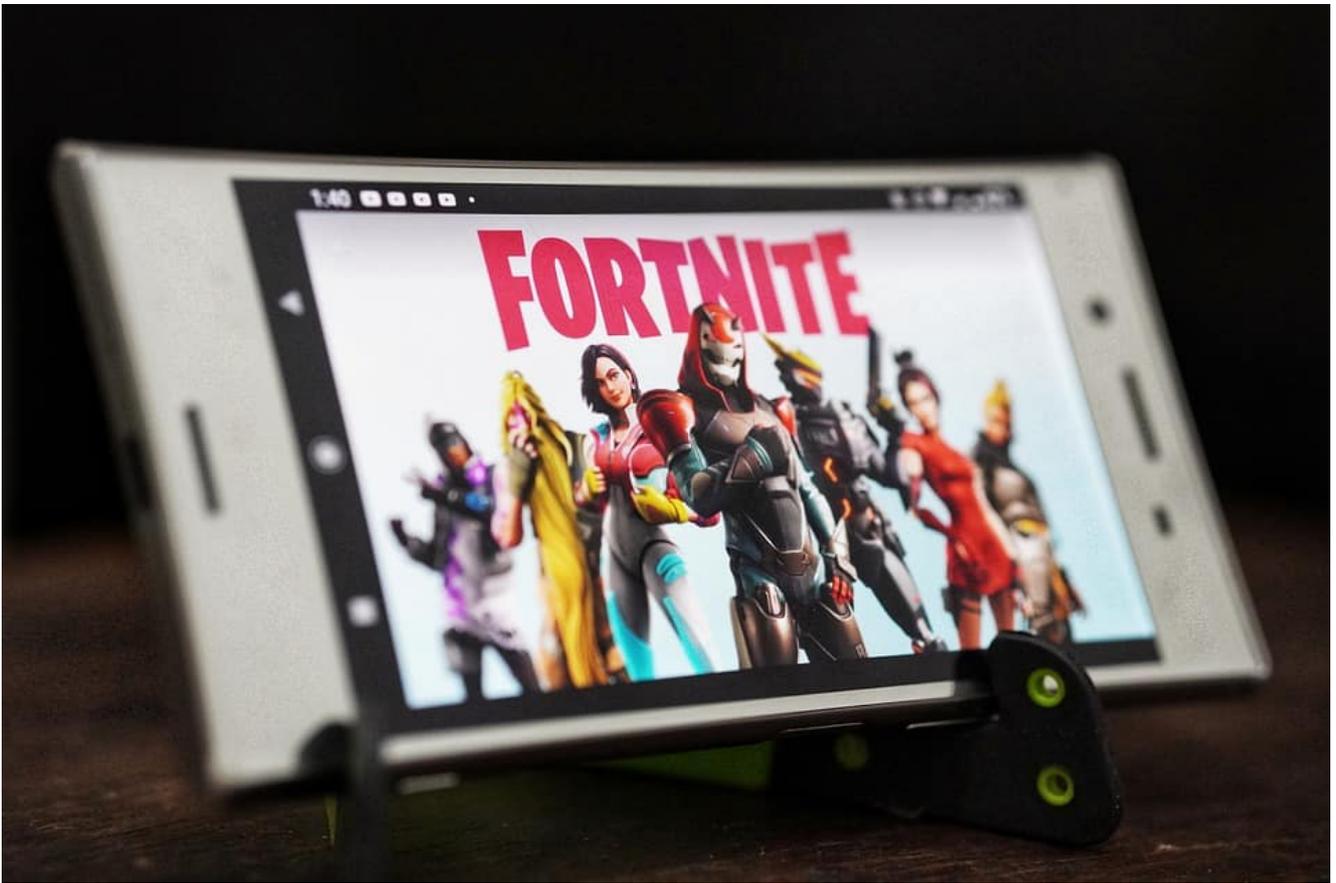
January 30, 2020 – Esports investment company New Wave Esports (OTC: TRMNF) has entered into a non-binding letter of intent to acquire creative management and production services company Activate Entertainment for \$1 million.

The top ten esports tournaments ahead in 2020

1. Fortnite World Cup
2. The International
3. League of Legends World Championship
4. BlizzCon 2020
5. Capcom Cup
6. International eSports Federation World Championships
7. Overwatch World Cup
8. EVO (Evolution) Championship Series
9. Rocket League Championship

10. The Intel Extreme Masters

Fortnite World Cup – One of the most popular esports events globally



Wrap up

Esports and gaming giant Tencent continued its investment spree this past month adding a stake in PlatinumGames and an offer to buy all of Funcom. This furthers Tencent's leading place in esports dominating game making/publishing and esports streaming (Douyu, Huya, Penguin Esports).

In 2020 the biggest esports events will be the Fortnite World Cup (Epic Games), the International DOTA 2 Championships (Valve Corporation), and the League of Legends World Championship (Tencent).

2020 will indeed be a big year for esports as the sector continues to grow rapidly beyond one billion dollars in revenues.