



Searching for a Competitive Edge in Esports

There is more to video gaming than sitting alone on the couch outscoring the bad guys. For today's gamers, it's a competitive sport. Gamers form teams and compete in front of live audiences, and the winners are rewarded with cash and a huge online fan base. "I was in a crowd full of people cheering for these players like you would any professional athlete," says T. Rowe Price investment professional Emily Scudder, who assesses the investment potential of publishers that produce and market esports. "It's an indicator of how big the esports opportunity is—and how serious the fans are." Gaming companies that are monetizing the growing viewership in esports are on Emily's radar. For certain, Emily's data-driven research is a critical source for T. Rowe Price investors, but she also believes that going to the places where the gamers gather to compete gives her a competitive edge to help investors take advantage of the next big esports opportunity. "You're constantly looking to challenge your views. That's why it's very helpful to go out into the field and get firsthand knowledge from experts, day in and day out."

Going beyond the numbers reveals the full story

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating which companies offer the best future investment potential. By meeting with executives, employees,



Talking with
Emily Scudder

Equity Investment Analyst, T. Rowe Price

and even fans, we can ask the right questions to get a deeper understanding of where a company or an industry stands and where it could go in the future. This rigorous research strategy is integral to Emily's investment process, which focuses on IT hardware and services and video game publishers.

Building insight

When Emily meets with a company, she prefers to talk to people at different levels of management. "You hear what the strategy is, and how the company is executing on it. That helps inform whether or not the company management is actually putting into practice what they are saying." When a new game launches, she often searches out passionate game critics and devotees to get feedback. Throughout the year, she attends the E3—Electronic Entertainment Expo—and other gaming conferences where, much like a reporter, she interviews gamers to find out how much time they spend playing, which new trends are at the forefront, and, more importantly, what kinds of additional game add-ons they

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buy. One of the ways that publishers can monetize their games is through the sale of enhanced digital content, a critical revenue stream, she says. “Gamers have told me that they have spent a thousand dollars or more for additional content.” Not too long ago, Emily was in the audience watching a raucous esports team league for “Overwatch,” a popular game in which players control a hero to battle another team of heroes. They had announcers, advertisers, and professional presentations at the event. By getting out from behind her desk and into the field, she could see that the potential is there to grow and increase revenue and profits. “It’s important to understand the trends within the industry,” says Emily. “At T. Rowe Price, I focus on what these businesses could

look like and how they might perform several years out.”

Positioning for change

Esports viewership is strong and growing, and game publishers are starting to show signs they can monetize that viewership with new revenue streams, including broadcast rights, says Emily. The investment opportunities are wide, but choosing the right companies with strong long-term potential is crucial. Emily is keeping a watchful eye on the industry to get ahead of the changes for investors. Combining fundamental analysis with her on-site research allows Emily to make better-informed investment recommendations.

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