

Company's investment value analysis using the examples of Activision Blizzard, Electronic Arts, and Microsoft Corporation

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Abstract. Today's Internet businesses and software development firms are growing quickly and profitably in the era of the Internet economy, luring investors from a variety of industries to invest. The demand for office software and games is rising as a result of the continued popularization of computers, mobile phones, and other electronic devices. This article will examine the three investments using the process of assessing financial indicators, examine the investment value of each company, and offer investors some suggestions for further reading. Through the comparison of risk indicators such as total debt ratio, current ratio, asset turnover, profit margin, ROA, ROE and other profitability indicators, and PB ratio, PE ratio, and other market value indicators Finally, it can be concluded from the analysis of various financial indicators that MSFT-Microsoft Corporation and MSFT-Microsoft Corporation each have their own benefits and drawbacks, while EA-Electronic Arts have a low-risk profile and a high rate of return, making it the most advantageous investment among the three firms.

Keywords: Internet economy; Invest; Software industries.

1. Introduction

The demand for office software and games is rising as a result of the continued popularization of computers, mobile phones, and other electronic devices, as well as the use of 4G/5G networks. As a result, the software development business is now one of the fastest-growing in the world, and software development technology is currently one of the most widely used. The average annual growth rate of the worldwide software market is 13%, which is significantly higher than the overall rate of growth. This sector appears to be one worth investing in based on the industry's overall growth rate. This sector appeals to many people who desire to make money by investing in it.

As a result, this research selected three exemplary software development firms and examines each one's investment worth separately. When picking investment targets, investors might use this as a guide.

Profit maximization has always been the main goal of corporate finance [1]. [1]The amount of aberrant returns is also found to be significantly positively impacted by project size [2]. Sustainable investing has the potential to benefit businesses and investors alike [3]. Our research shows that major players in the investment value chain seek levels of corporate and social behavior that are higher than those that are currently acceptable under individual nations' regulatory frameworks [4].

This article will examine three financial indicators from the perspectives of risk, profitability, and market value to choose which of the three Internet software development companies is the most valuable and deserving of investment, and to gain an investment reference. Finally, it can be concluded from the analysis of various financial indicators that MSFT-Microsoft Corporation and MSFT-Microsoft Corporation each have their own benefits and drawbacks, while EA-Electronic Arts have a low-risk profile and a high rate of return, making it the most advantageous investment among the three firms.

2. Firm description

Activision Blizzard, Electronic Arts, and Microsoft have been chosen by this paper as the three Internet firms to whom it will examine its investment. Activision Blizzard, one of the biggest game

creators and publishers in the world, was established in 1979. Activision Blizzard has been dedicated to the gaming industry from its inception, encompassing console, PC, and mobile games as well as the creation, marketing, and sales of entertainment material.

Video game creation, publishing, and sales are EA's primary business activities. The company has introduced several iconic series, like the "Need for Speed" "Sims" and "FIFA" series. Among these, the "Need for Speed" and "FIFA" series are timeless sports video games that hold a special place in players' hearts.

Microsoft is a global computer technology business based in the United States that creates, produces, licenses and offers a wide range of computer software services. Microsoft Office office software, the Windows operating system, and Xbox gaming are some of its most well-known and popular products.

The three companies' financial indicators are listed below (Data from Yahoo Finance on January 31, 2023).

The data about the risk of Activision Blizzard, Electronic Arts, and Microsoft Corporation. Through this table, it can be seen that the market capitalization of the three companies is fairly large, making the company size less risky; ATVI's total debt ratio is the lowest, making risk the lowest; however, this may also indicate that it has a poor ability to borrow outside capital; and MSFT, on the other hand, has the highest total debt ratio, indicating a strong ability to borrow outside capital but greater risk. The EA's overall debt ratio, at which the EA is at its best (Table 1).

Table 1. Risk of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
Market Cap	60.027B	32.465B	1.881T
Beta	0.43	0.83	0.93
TOTAL DEBT RATIO	0.3	0.41	0.57
CURRENT RATIO	5.21	2.43	2.08
QUICK RATIO	5.21	2.43	2.05
LEVERAGE	1.42	1.69	2.35

This paper examines the market capitalization, beta, total debt ratio, current ratio, quick ratio, and leverage of three corporations in terms of risk. The three businesses are massive. As a result, its market cap risk is equivalent. In terms of beta and leverage, Microsoft is superior to EA and ATVI. The data about the profitability of Activision Blizzard, Electronic Arts, and Microsoft Corporation (Table 2).

Table 2. Profitability of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
ASSET TURNOVER	0.35	0.43	0.5
PROFIT MARGIN	22.75%	14.08%	33.05%
ROA	5.21%	7.68%	14.83%
ROE	9.36%	13.70%	39.31%

This study examines three firms' ASSET TURNOVER, PROFIT MARGIN, ROA, and ROE in terms of risk. The order for ROA, ROE, and ASSET TURNOVER is MSFT > EA > ATVI. Yet, in terms of profit margin, MSFT surpasses ATVI and EA. This paper thus gets to the conclusion that these three businesses are more lucrative: MSFT>EA>ATVI.

The data of Market Value of Activision Blizzard, Electronic Arts, and Microsoft Corporation (Table 3).

Table 3. Market Value of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
PB Ratio	3.15	4.57	10.27
PE Ratio	36.01	36.49	28.08
PEG Ratio	59.81	0.9	2.19
EPS	2.13	3.2	9
Insider Buying	Yes	Yes	Yes
momentum	No	No	No
50-Day MA	75.8	124.33	243.78
200-Day MA	76.47	126.34	253.95
Dividend Yield	0.66%	0.68%	1.06%
Float	716.55	258.98M	7.44B
Held by Insiders	0.86%	0.56%	0.06%
Held by Institutions	85.23%	94.94%	73.50%

Below is Activision Blizzard's line chart of stock prices over a year (2022/3/7-2023/2/7)

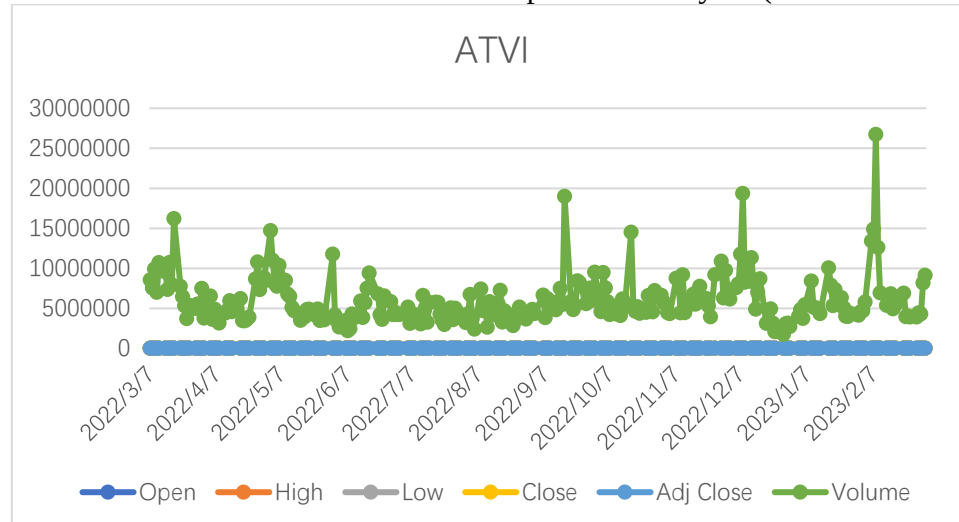


Fig 1. ATVI's stock price trend chart

ATVI's share price declined from March 2022 to September 2022, rising and falling rapidly during September, falling to its lowest point in January 2023 and reaching its highest point in February (Fig 1). Below is EA's line chart of stock prices over a year (2022/3/14-2023/2/14)

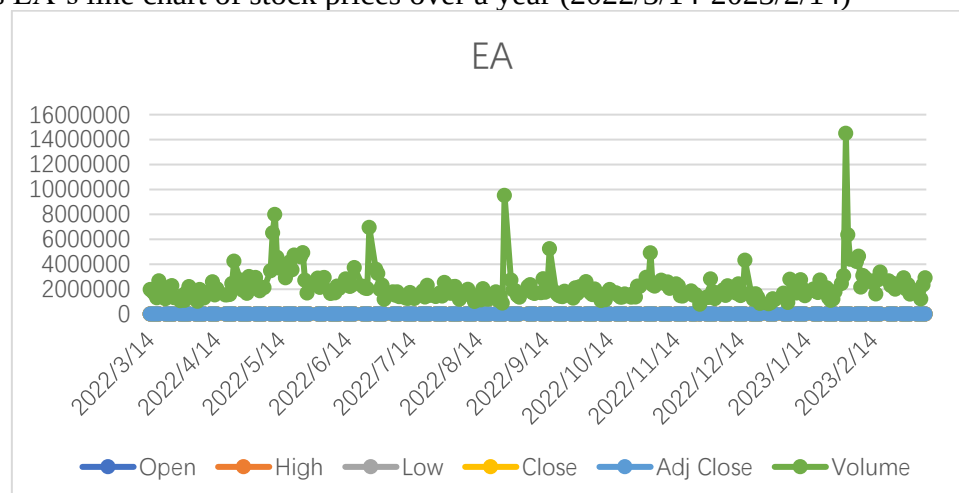


Fig 2. EA's stock price trend chart

EA's share price has been relatively stable overall, fluctuating within a certain range, with occasional highs, both in September 2022 and February 2022 (Fig 2).

Below is Microsoft Corporation's line chart of stock prices over a year (2022/3/14-2023/2/14)

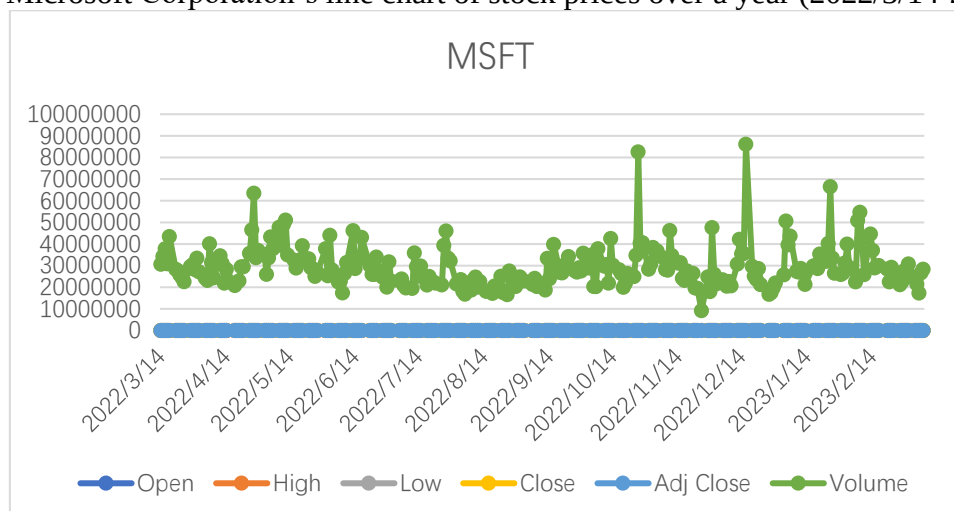


Fig 3. MSFT's stock price trend chart

MSFT's share price has changed widely, and the price has fluctuated wildly, generally fluctuating between 200000000 and 700000000, and reaching highs in October 2022 and December 2022 (Fig 3).

3. Financial analysis

In terms of risk, the author looks at the Market Cap, Beta, Total Debt Ratio, Current Ratio, Quick Ratio, and Leverage of three companies [8-9]. The three companies are enormous. Its Market Cap Risk is therefore comparable. Yet Microsoft > EA > ATVI in terms of beta and leverage. This leads me to the following conclusion: Risk ranking: MSFT > EA > ATVI (Table 4).

Table 4. Risk of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
Market Cap	60.027B	32.465B	1.881T
Beta	0.43	0.83	0.93
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In terms of risk, this paper looks at the ASSET TURNOVER, PROFIT MARGIN, ROA, and ROE of three companies. MSFT > EA > ATVI is the order for ROA, ROE, and ASSET TURNOVER. However, MSFT is ahead of ATVI and EA in terms of profit margin. Therefore, get the conclusion that these three companies are more profitable: MSFT>EA>ATVI (Table 5).

Table 5. Profitability of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
ASSET TURNOVER	0.35	0.43	0.5
PROFIT MARGIN	22.75%	14.08%	33.05%
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In the market value aspect, this paper search PB ratio, PE Ratio, PEG Ratio, EPS, Insider Buying, 50-Day MA, 200-Day MA, Dividend Yield, and Float, Held by Insiders and Held by institutions. The P/B ratio reveals the worth of investments in three companies: ATVI>EA>MSFT. Besides, the PB Ratio of the three companies is all larger than 1. So, Value investors won't choose them. The P/E ratio reveals the worth of investments in three companies: MSFT > ATVI > EA. The PEG ratio reveals the worth of investments in three companies: EA > MSFT > ATVI. The EPS reveals the worth of investments in three companies: MSFT > EA > ATVI. Their 200-Day MA is all larger than 50-Day MA, so momentum investors won't invest in them. ATVI is in Components of the S&P 500, so index investors will invest in it. I also found a buyback project for this company, so the buyback investor also will choose it. For EA, Its PEG ratio is lower than 1, so PEG investors will choose it. it is also the Component of the S&P 500, so index investors will invest in it. It also has a buyback project so a buyback investor will choose it. MSFT is also in the Components of the S&P 500 and has a buyback project so index investors and buyback investors will choose them (Table 6).

Table 6. Market Value of ATVI EA MSFT

2023.1.31	ATVI-Activision Blizzard	EA-Electronic Arts	MSFT-Microsoft Corporation
PB Ratio	3.15	4.57	10.27
PE Ratio	36.01	36.49	28.08
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In general, MSFT-Microsoft Corporation is faster and profitable but riskier, MSFT-Microsoft Corporation is the least risky but the slowest to earn, and EA-Electronic Arts has good profitability and moderate risk [10], so the most recommended investment in the three company stocks is EA-Electronic Arts.

4. Conclusion

The investment value of Internet enterprises is increasing along with the Internet's current rapid expansion. Nonetheless, many investors have long struggled with how to pick stocks that are worth investing in. The stock prices of these three companies, as well as their ROE, ROA, return on assets, and profit margin, are examined in this article. To create the best investment strategy, thoroughly assess each one's risk, return on investment, and market value.

From the above analysis, it can be seen that MSFT-Microsoft Corporation and MSFT-Microsoft Corporation have their own advantages and disadvantages, and EA-Electronic Arts have both low risk and good returns, so EA is the worthiest investment of the three companies

The current approach is quite straightforward, and moving forward, it will be further quantified utilizing Regression Analysis or the Fama-French Factor Model.

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