

**North American Equity Research**

17 July 2019

**Canaccord Genuity LLC (US)**

Michael Graham, CFA | Analyst -  
212.849.3924  
MGraham@cgf.com

Maria Ripps, CFA | Analyst - 212.849.3923  
MRipps@cgf.com

Alexander Frankiewicz | Associate -  
212.389.8070  
AFrankiewicz@cgf.com

**Canaccord Genuity Corp. (Canada)**

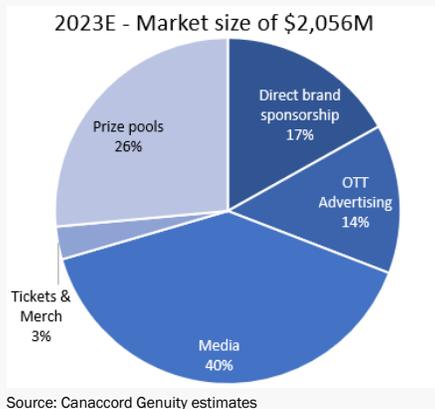
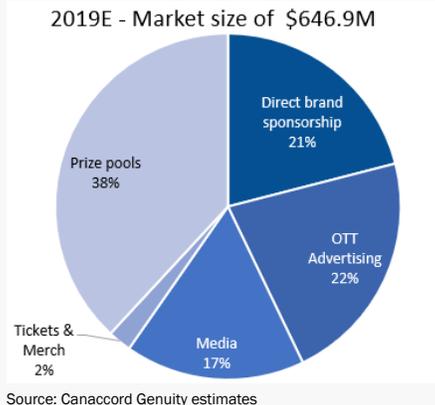
Robert Young, MBA | Analyst -  
1.416.869.7341  
ryoung@cgf.com

Christian Sgro, CFA | Associate -  
1.416.869.7364  
csgro@cgf.com

**Industry Update**

**Esports in N. America: entering the major leagues**

Esports proof points are everywhere. The 2018 League of Legends world championship final match featured two teams of five gamers each battling it out on screen to destroy each other's Nexus. According to game publisher Riot Games, the event drew **99.6 million unique viewers** across various streaming platforms like Twitch (most estimates for actual viewership are higher). ESPN2 now regularly broadcasts Overwatch League matches alongside major golf tournaments. Leading Fortnite gamer Tyler "Ninja" Belvins reports earning ~\$1M per month solely from revenue shares with Twitch and YouTube (not counting sponsorship deals with Samsung, RedBull, & Uber). Netflix CEO Reed Hastings commented earlier this year that his company loses more viewers to Fortnite than to HBO. Esports viewership consists primarily of a hard-to-reach millennial audience, and the numbers are growing quickly. In this report (a continuation of our [February Esports Investment Landscape Report](#)), we revisit key themes, estimate the size and outlook for various segments of the esports market, and alert investors to key operators on the landscape.



**Esports market projections** - we project total N. American Esports platform viewership will grow from 112.3M this year to 223.6M by 2023. We segment commercial opportunities within the Esports landscape into four primary categories:

- 1. Sponsorship & Advertising** - consists of marketing dollars spent directly with teams, leagues, and players. 2019 estimate of \$277M in N. America, growing at a CAGR of 27% over the next five years;
- 2. Media rights** - payments for the right to broadcast (or stream) Esports events on a range of media outlets including ESPN / Disney & Twitch. 2019 estimate of \$109M, growing at 65% CAGR;
- 3. Events & Merchandise** - viewers attending live matches (held in large arenas with massive screens). Estimate of \$14M, growing at 48%; and,
- 4. Prize pools** - posted by game developers with increasingly deep pockets in this area, estimated at \$247M this year, growing at 28% over the next five years.

In total across the US and Canada, we estimate a market size of US\$646.9M for 2019E, growing at a four-year CAGR of 34% to US\$2.1B in 2023E. The stakeholders that stand to benefit from this ecosystem include esports teams, leagues, and event organizers.

**Five key questions for the next five years** - We expect the next several years to be a dynamic, developmental time, with the industry learning a great deal around important issues such as league structures, player contracts, audience engagement, and promotion. We see five key questions for the industry to sort out:

- 1. How will esports leagues formats evolve?**
- 2. Can the top teams be displaced?**
- 3. Will esports media rights deals eclipse traditional sports?**
- 4. Will we see consolidation among teams?**
- 5. Will live event attendance for season play rival that of traditional sports?**

# Table of contents

<b>Table of contents</b> .....	<b>2</b>
<b>Executive summary</b> .....	<b>4</b>
<b>The growing esports opportunity</b> .....	<b>5</b>
Esports 101: What is esports? .....	5
Viewership is large, growing, and extending into more games .....	6
Leading streaming platforms dominate viewership .....	7
Media Rights.....	13
Esports industry: Key questions .....	15
<i>Five key questions for the next twelve months</i> .....	15
Five key questions for the next five years.....	16
<b>Esports forecast: Our proprietary model</b> .....	<b>17</b>
Audience .....	19
Four revenue opportunities .....	19
1) Sponsorship + advertising .....	19
2) Media rights .....	24
3) Events + merchandise.....	25
4) Prize pools.....	27
<b>Esports teams and leagues</b> .....	<b>29</b>
Thoughts on the future: Looking out five years .....	30
1) <i>League Structure: localized versus digital</i> .....	30
2) <i>League Format: relegation versus franchise</i> .....	32
3) <i>Player representation: self representing versus third party agents</i> .....	33
<b>Recent capital markets activity and private company valuations</b> .....	<b>34</b>
<b>Esports betting market</b> .....	<b>36</b>
<b>Esports viewership data</b> .....	<b>38</b>
<b>Appendix 1: Private esports companies</b> .....	<b>40</b>
100 Thieves.....	41
Alliance .....	42
aXiomatic.....	43
Cloud9 .....	44
FaZe Clan .....	45
NRG Esports .....	46
OverActive Media.....	47
Reciprocity.....	48

Tiidal Gaming.....	49
Askott Entertainment.....	50
Ateyo.....	51
Battlefy .....	52
Beyond the Summit.....	53
Cineplex.....	54
Code Red.....	55
Discord .....	56
ESG Law .....	57
FACEIT .....	58
Freaks 4U Gaming.....	59
Gamekit.....	60
Luckbox .....	61
Mobcrush .....	62
Night Media .....	63
PMML Corp.....	64
Skillshot.....	65
Skillz.....	66
StarLadder.....	67
theScore.....	68
U.GG .....	69
Unikrn.....	70
Appendix 2: Public company valuation.....	71

## Executive summary

Esports is arguably the most exciting and dynamic facet of the global gaming sector, sized at US\$150B+ by Newzoo. Proof points of the sector's growing relevance are everywhere, including perhaps most notably that according to Riot, the 2018 League of Legends world championship match drew nearly 100M viewers.

Fortnite and League of Legends dominate viewership statistics in North America based on data compiled from Twitch, North America's leading OTT platform for gaming and esports viewership. The organizations behind both games have invested wisely to build out their respective esports ecosystems. Activision remains the most active publisher with respect to forming a localized league around Overwatch and is gearing up for a repeat performance with its upcoming Call of Duty league expected to debut in 2020.

While this report focuses on North America, research firm Statista reports that Asia remains dominant in terms of viewership figures. This is a function of the meaningfully larger population but is also driven by an engaged audience around gaming and esports. Asian OTT streaming platforms Huya and DouYu dominate viewership traffic in these geographies.

**CG esports market sizing.** Our proprietary forecast for the esports market aggregates data points from a wide variety of sources and conversations with industry experts. For 2019, we estimate 112.3M unique viewers on North American streaming platforms (2.04M avg concurrent viewers) growing at a 20.8% CAGR over the next five years to reach 223.6M in 2023 (not including broadcast TV and large Chinese audiences). We also highlight four key commercial opportunities (in USD):

- 1) **Sponsorship + advertising [2019E \$277.3M, 5-year CAGR 26.8%].** We see increasing participation from non-endemic brands. OTT platforms are a valuable monetization tool for players and teams, for gaming content or otherwise.
- 2) **Media rights [2019E \$108.9M, 5-year CAGR 64.6%].** The fastest growing of the four segments. Growth is predicated on esports media rights contracts closing the gap with traditional sport. Viewership statistics suggest this is a matter of time.
- 3) **Events + merchandise [2019E \$14.3M, 5-year CAGR 47.7%].** A small vertical supported by the growth of live events and consumerism.
- 4) **Prize pools [2019E \$246.5, 5-year CAGR 27.8%].** Increasingly meaningful prize pools contributed by deep pocketed publishers form the backbone for the sector and foster intense competition among players and teams.

**Development of esports teams and leagues.** There exists a dichotomy in strategies among world-class teams. Some are aggressively maximizing media reach and others are cultivating top talent to develop championship rosters. We believe both strategies are sustainable, benefiting from different aspects of the esports ecosystem. As well, we expect leagues to become increasingly popular with formats and structures adapting over time.

**Esports betting market too large to overlook.** While not technically part of the esports ecosystem, the betting market is expected to grow in stride and is attracting investment all the same. Eilers & Krejcik and Narus estimate a 2020E handle of \$12.9B. Assuming a rounded 5% net revenue on this handle implies a \$645M opportunity for esports gambling operators. While the current sports betting market is controlled by a number of well-known platforms, we believe there exists a massive opportunity for endemic players to gain share.

## The growing esports opportunity

The esports subsector is an emerging and rapidly growing vertical within gaming. Across North America, we estimate a 2019 market size of \$646.9, +51% over 2018. We discuss our approach, estimates, and the market dynamics below. As a preamble to our esports market sizing, we believe it is helpful context to discuss how the broader gaming industry has evolved through 2019.

The gaming market, a much larger and distinct market from the esports subset, is expected by industry research firm Newzoo to grow +9.6% YoY in 2019 to \$152.1B globally. The US market is expected to overtake China as the largest market, generating \$36.9B or +13.9% YoY.

Console has driven much of the growth in 2019, particularly in NA. The massive mobile market has stalled amid regulatory headwinds in China, including a game license freeze and new rules limiting screen time for children. With an easing regulatory stance in 2019, mobile growth is expected to reaccelerate, in part contributing to Newzoo's 9.0% CAGR projection for the global gaming sector between 2018-2022. Consensus growth estimates for Activision, Electronic Arts, Take2 and others average 5%. For a mature industry, these are impressive growth figures.

### Esports 101: What is esports?

By most accounts, the first videogame tournament took place at Stanford in 1972. The "Intergalactic Spacewar Olympics" was born of a few friends who wanted to add a competitive flare to a videogame they all loved. The prize was a one-year subscription to Rolling Stone Magazine.

Today, the esports world is analogous to the traditional sports world. Professional esports players compete in video games, with gameplay presented on screens (TV or streaming/digital) in productions complete with live commentary and exciting climaxes. Commerce is alive and well in this ecosystem, with streaming and broadcast media rights, team franchise fees paid to game developers, and large contracts for the best players.

Just as with the NFL or PGA Tour, the fuel for this commercial ecosystem comes from a large and growing pool of viewers. This audience has a notable millennial male contingent (a tough group to reach for many advertisers), but also includes significant numbers of female and older viewers as well.

Figure 1: Team Liquid versus 100 Thieves tournament match streamed on Twitch



Source: Team Liquid

Figure 2: FaZe Clan athletes preparing for a match

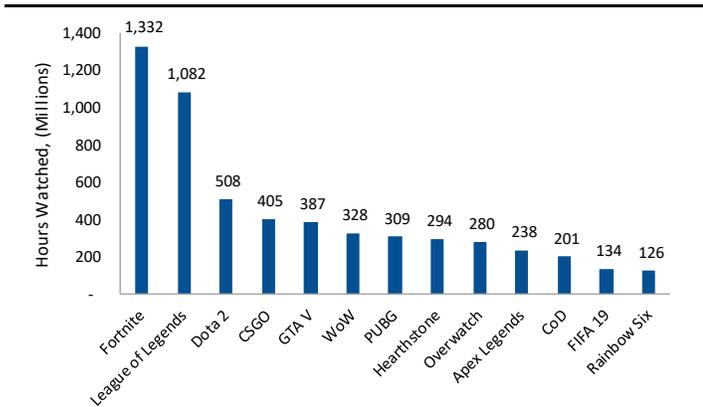


Source: FaZe Clan

### Viewership is large, growing, and extending into more games

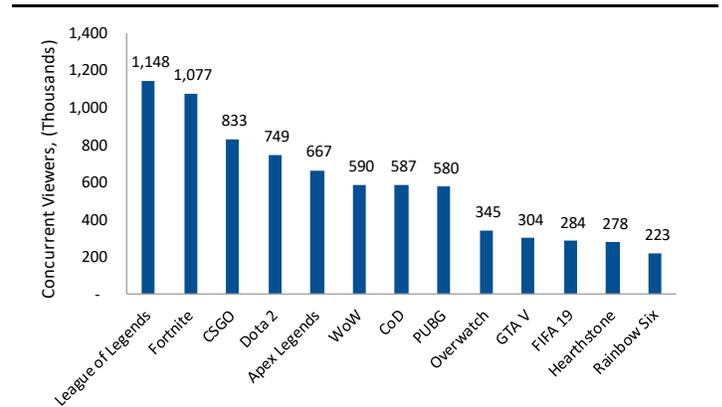
As seen in the charts below, Fortnite and League of Legends dominate the landscape in terms of viewership. The stats below are compiled from Twitch, North America's leading OTT platform for gaming and esports viewership. Importantly, this does not include viewership, within the game which we believe could further bolster Fortnite. League of Legends is a 10+ years old, while Fortnite has emerged in the last two years. The organizations behind both games have allocated tremendous capital to building out their esports ecosystems.

**Figure 3: Over the last 12 months Fortnite has taken the number one spot in terms of total viewership with more than 1.3B hours watched**



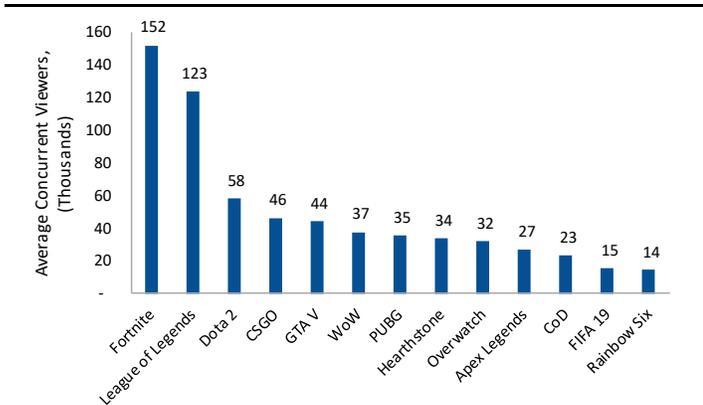
Source: Twitch, Canaccord Genuity Research

**Figure 4: The 2018 League of Legends World Championships drew the highest concurrent viewership in the last 12 months with nearly 1.2M concurrent viewers on Twitch alone**



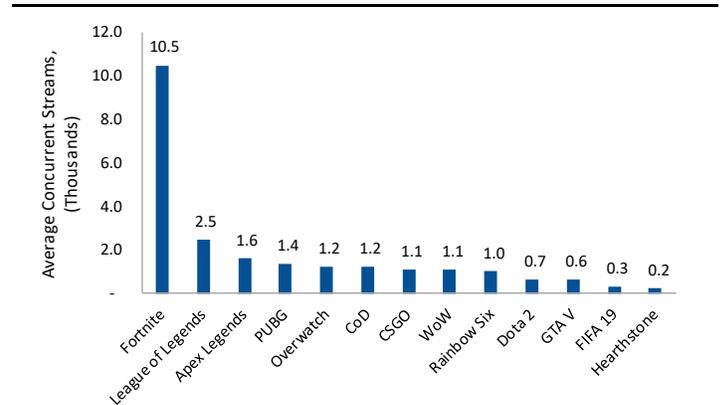
Source: Twitch, Canaccord Genuity Research

**Figure 5: Over the last 12 months, Fortnite and League of Legends averaged the highest concurrent viewership figures with 152K and 123K respectively**



Source: Twitch, Canaccord Genuity Research

**Figure 6: At more than 10,500 average live channels, Fortnite has the most active average streamers of any game in the last 12 months**



Source: Twitch, Canaccord Genuity Research

In North America, Battle Royale games like Fortnite and PUBG have become very popular recreationally as well as competitively. Multiplayer online battle arenas (MOBAs), including League of Legends (LoL) and DOTA 2, represent some of the longest-standing team-based esports titles. First-person shooters may see a resurgence in the new CoD and Halo, and sports titles are slowly gaining traction, with FIFA leading the way.

At the Electronic Entertainment Expo (E3) in June, we observed that publishers are certainly taking esports more seriously, but it is not yet a core focus. The development of quality games with mass-market appeal remains the focus. We expect the emphasis on esports (easy to understand, spectator appeal, etc.) will grow over time along with the underlying esports vertical.

**Leading streaming platforms dominate viewership...**

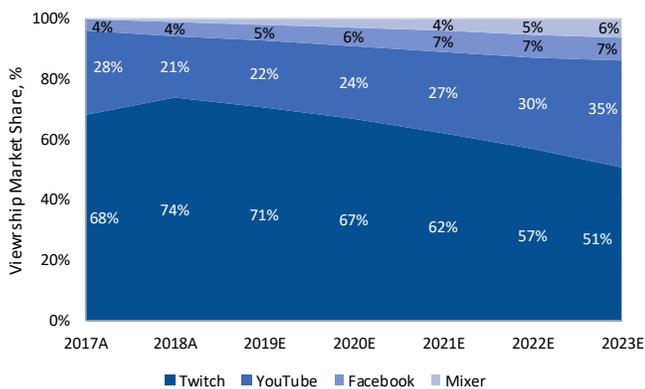
As noted above, Twitch remains the platform of choice for live gaming and esports content. YouTube has become a meaningful contender in recent years, while Facebook, Mixer (Microsoft) and other independent platforms control the residual market share.

In the traditional TV sports world, audience is often cited as either “total viewers” or “average viewers.” For example, Nielsen put total US viewers (anyone who watched the game for at least six minutes) for the 2019 Super Bowl at 149M, while average viewers were 98M.

Twitch’s API allows third parties to track average concurrent viewers (ACV, or the average number of simultaneous viewers watching at any given moment), and this has therefore become a popular metric. The charts below include 2017 and 2018 actual ACV data alongside our estimates for viewership growth, driven by recent trends. We expect double-digit Twitch viewership growth for the next five years, following a 40% CAGR from 2013 through to 2018 according to TwitchTracker.

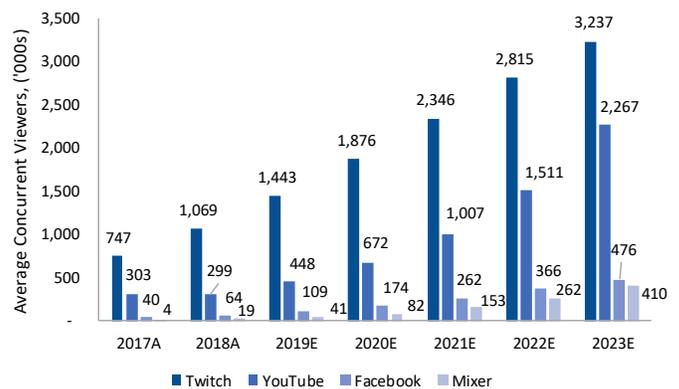
We note that the absolute number of ACV in 2018 on Twitch of ~1.1M is a more restrictive metric than TV’s average viewers or total viewers. Some industry participants estimate that multiplying ACV for esports streams by ~60x would yield a reasonable approximation for unique viewers (given the long duration of some streams and a more fluid audience).

**Figure 7: Twitch and YouTube account for nearly 96% of Esports viewership today**



Source: Streamlabs, Canaccord Genuity estimates

**Figure 8: We estimate that Twitch and YouTube Live will emerge as winners with roughly 3.2M and 2.3M average concurrent viewers by 2023E**



Source: Streamlabs, Canaccord Genuity estimates

Riot Games has helped somewhat by disclosing its internal metrics on unique viewers for the League of Legends world championships, which totaled 99.6M in 2018. This is a global number, but it still compares favorably with US viewership of other popular sports championships in 2018 like the Super Bowl (~155M), World Series (~21M), NBA Finals (~26M), and Stanley Cup (~5M).

**Figure 9: The most popular single esports event so far has been the 2018 League of Legends world championship, which garnered nearly 100M unique viewers. Importantly, esports audiences are growing rapidly, while most traditional sports are seeing much slower or negative growth.**

US\$ (000's)	2013A	2014A	2015A	2016A	2017A	2018A
<b>Esports</b>						
LoL World Championships, unique viewers (global)	32,000	27,000	36,000	43,000	58,000	99,600
Intel Extreme Masters Katowice (global)	N/A	N/A	N/A	N/A	34,080	46,000
<b>Traditional Sports</b>						
NFL Super Bowl, average viewers (US)	108,693	112,191	114,442	111,864	111,319	103,471
<i>Multiplier</i>	1.51x	1.50x	1.41x	1.49x	1.55x	1.50x
<b>NFL Super Bowl, unique viewers (US)</b>	<b>164,100</b>	<b>168,287</b>	<b>161,300</b>	<b>167,000</b>	<b>172,000</b>	<b>155,207</b>
MLB World Series, average viewers (US)	14,982	13,912	14,516	22,843	18,717	14,316
<i>Multiplier</i>	1.50x	1.50x	1.50x	1.50x	1.50x	1.50x
<b>MLB World Series, unique viewers (US)</b>	<b>22,473</b>	<b>20,868</b>	<b>21,774</b>	<b>34,265</b>	<b>28,076</b>	<b>21,474</b>
NBA Finals, average viewers (US)	17,463	15,533	19,957	20,290	20,400	17,580
<i>Multiplier</i>	1.50x	1.50x	1.50x	1.50x	1.50x	1.50x
<b>NBA Finals, unique viewers (US)</b>	<b>26,195</b>	<b>23,300</b>	<b>29,936</b>	<b>30,435</b>	<b>30,600</b>	<b>26,370</b>
NHL Stanley Cup, average viewers (US)	5,785	4,750	5,542	4,000	4,700	4,883
<i>Multiplier</i>	1.50x	1.50x	1.50x	1.50x	1.50x	1.50x
<b>NHL Stanley Cup, unique viewers (US)</b>	<b>8,678</b>	<b>7,125</b>	<b>8,313</b>	<b>6,000</b>	<b>7,050</b>	<b>7,325</b>

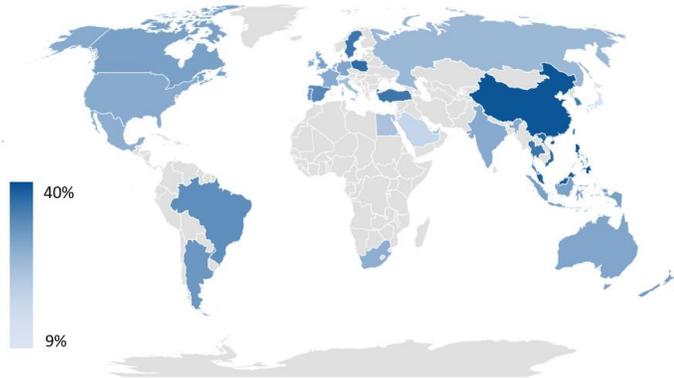
Source: Nielsen, Riot, ESL, Canaccord Genuity estimates

With respect to geographic representation, research firm Statista reports that Asia remains dominant in terms of viewership figures. This is a function of the meaningfully larger population, but it is also driven by an engaged audience around gaming and esports. Asian OTT streaming platforms Huya and DouYu dominate viewership numbers in these geographies.

In 2018, Huya took to the North American public markets, listing on the NASDAQ under the ticker HUYA. The company raised \$180M, pricing the shares at \$12. While the stock has been volatile it has generally performed well, appreciating ~100% from its listing price, supported by 118% YoY revenue growth in 2018.

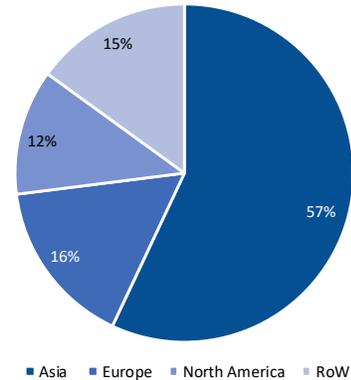
Rival platform DouYu has also filed for a US IPO, looking to raise \$850M+. The company grew net revenues by 94% in 2018 to \$554.5M. DouYu reported positive net income in Q1/19, in contrast to the historic losses reported by both DouYu and Huya as the companies aggressively pursue their respective growth strategies. Both companies are vocal about their intentions to capitalize on the proliferation of the esports industry in China.

**Figure 10: % of people 16-24 who have seen an esports event in the last month (2017)**



Source: Global Web Index, Canaccord Genuity Research

**Figure 11: Geographic split of “frequent” viewers (2018)**



Source: Statista, Canaccord Genuity Research

### ... but broadcast TV is getting in on the game

Broadcast TV, while historically not involved in esports, is just now beginning to get into the game. In recent years we have seen a number of encouraging media rights deals that have brought esports tournaments to linear TV. That being said, the deals that have been executed thus far have primarily been for lesser followed games in less than ideal time slots.

Looking ahead, however, we are encouraged by the direction in which the industry is going. Several recent deals, including League of Legends on ESPN+ and the launch of eSPORTS1 (a DACH region esports only channel), have placed a spotlight on the space and, if executed well, could lead to further linear TV growth. For a more detailed analysis of esports media rights deals, see the section on Media Rights.

### Esports viewers show high engagement

As noted above, viewers are engaging with esports across a variety of channels, including:

- **Streaming platforms** – these are the most popular outlets, led in North America by Twitch and YouTube, and in China by DouYu and Huya
- **Broadcast TV** – with increasingly competitive placement for esports events next to “older” sports like golf
- **Social media** – esports stars garner very large numbers of social media followers
- **Live events** – with esports selling out arenas consistently

Given these multiple touchpoints, and the fact that the primary vehicle (streaming platforms) is innately more interactive than traditional TV, esports viewers are perhaps unsurprisingly very engaged. According to one survey (see below), esports fans are nearly 3x more likely to engage with a brand endorsed by a favorite team relative to all sports fans. Esports fans are also more adventurous, being over 2x more likely to try a new brand if it’s associated with a favorite team.

**Figure 12: Esports fans were more than twice as likely to support and purchase a sponsor's products when it sponsors an esports athlete/team/league that the fan followed**

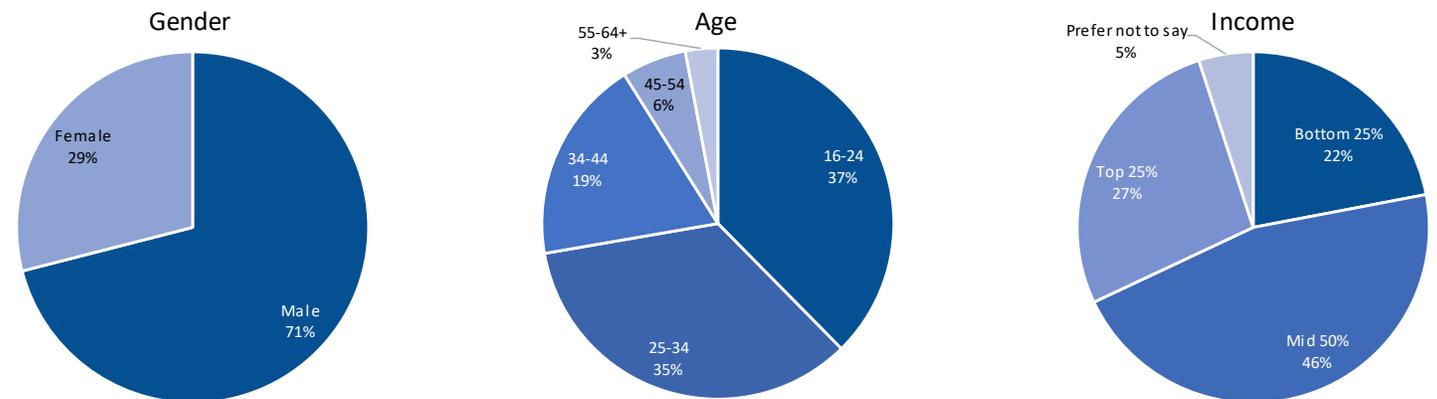
Attitudes about sports sponsorship (any agree)	All Sports Fans	Esports Fans
If my favorite team wears a new brand, I try to buy the same one	10%	29%
Loyalty to my favorite team means I support their sponsor, no matter what	12%	31%
When my favorite athlete/team switches sponsors, I support the new sponsor as well	12%	30%
I believe a product is better if my favorite team supports it	12%	30%
I am more willing to try a new brand if it sponsors the team I follow	15%	35%
I always try to support company sponsors of my favorite team by purchasing their products	12%	26%
When a company sponsors my favorite team, I think more highly of it	18%	35%
I notice brands my favorite athletes use/wear even off the field	17%	32%
I notice brands that teams and athletes wear during games/events	25%	43%
I think that sponsors of sporting events are critical to the success of sports	30%	40%
<b>Average</b>	<b>16%</b>	<b>33%</b>

Source: Simmons Research, Canaccord Genuity Research

**Sponsorship dollars targeted at a hard-to-reach younger audience**

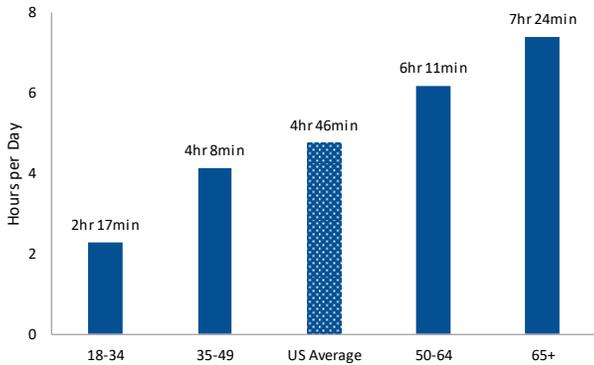
Advertisers and resulting sponsorship dollars follow eyeballs and engagement, looking to create a meaningful impression and ROI. While Nielsen and other analytics providers begin to work on analyzing and understanding the space in greater depth, current demographic data is clear and comes as no surprise. According to Statista, Esports audiences today tend to skew younger (72% under the age of 34) and include more affluent males (71% of viewers). As well, esports streams tend to have higher engagement with active chat streams and the potential for spectators to join the gameplay and/or interact with the players directly.

**Figure 13: Esports audience demographics skew toward younger and more affluent males (2018)**



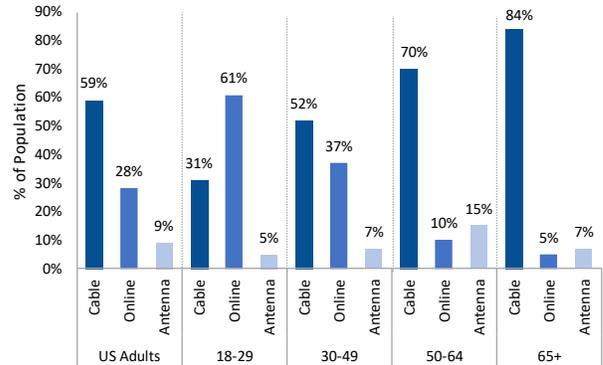
Source: Statista, Canaccord Genuity Research

**Figure 14: Average American adults are consuming less traditional television, with millennials consuming around 70% less than their Baby Boomer counterparts (2018)**



Source: Nielsen, Canaccord Genuity Research

**Figure 15: 61% of young adults say streaming is their primary source of entertainment (2017)**



Source: Pew Research Center, Canaccord Genuity Research

As a result, we have seen several large brand deals with companies whose products are typically popular with the current demographic of young male gamers. Some of the more prominent endemic (companies that are in the gaming space) sponsorship deals have been with hardware companies such as Intel, Alienware, Razer, and MSI. On the non-endemic side, we see companies such as Coca-Cola, Red Bull, Mercedes-Benz, Gillette, Wendy's, Dominos, and Airbus entering the space. We have seen a surge in interest from non-endemic brands recently as esports moves mainstream.

**Figure 16: Coca-Cola has sponsored the 2018 LoL World Championships as well as hosted viewing parties across the US, amongst other things**



Source: Coca-Cola

**Figure 17: Mercedes-Benz is ESL's mobility partner and had exclusive rights to display its logo on the main stage during the championships**



Source: Mercedes-Benz

**Figure 18: Airbus sponsors an all female League of Legends team based out of France**



Source: Company Reports

**Figure 19: Mercedes-Benz has meaningfully expanded the scope of its partnerships in just the last two years**



Source: Mercedes-Benz

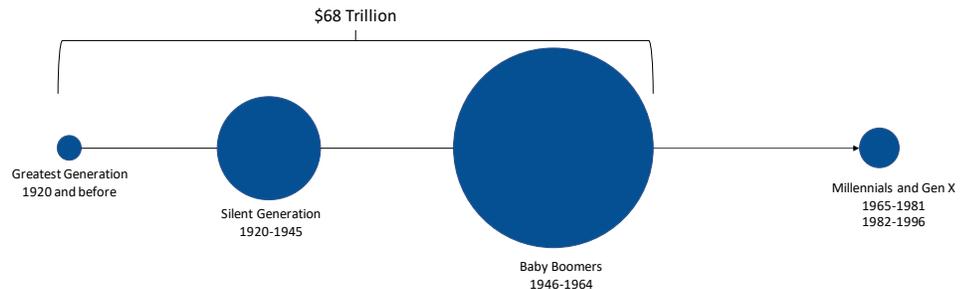
Endemic sponsors, by nature, have been heavily involved in the market since the beginning of esports advertising. Hardware companies have been the most active, typically signing deals to provide sponsored product to leading teams and players (computers, keyboards, etc.). Non-endemic sponsors are relatively new to esports but generally have the marketing budgets to commit to larger dollar deal sizes. Many of these blue-chip companies are testing the waters through “land and expand”-type partnerships. They first enter with a limited sponsorship to gauge interest, then rapidly expand the scope and depth of the deal.

With 161 non-endemic deals signed in 2018 and a further 76 signed in 1Q19, according to The Esports Observer, the groundwork for many potentially significant seven- and eight-figure deals has already been laid. So, to answer the question of “where does the opportunity lie?,” it lies primarily with the non-endemic sponsors.

One question that often arises from those unfamiliar with the space: “What is so attractive about the esports market that it is now drawing large sponsors? The target demographic has comparatively low discretionary spending power.” We think that the “comparatively low spending power” is only temporary and that a large wealth shift is underway.

As it stands today, millennials, the core viewership demographic (as opposed to Gen Y, who are the players), are amassing wealth and expanding their discretionary capacity through career progression. While this in and of itself is attractive to sponsors, it pales in comparison to the wealth shift that is expected by many to occur between the Greatest Generation, Silent Generation, and the Baby Boomers to millennials.

**Figure 20: As it stands today, the majority of the wealth and spending power is locked up in the hands of Baby Boomers and the Silent Generation. Over the next few decades it is expected that a large portion of this wealth will transition to Gen X and Millennials**



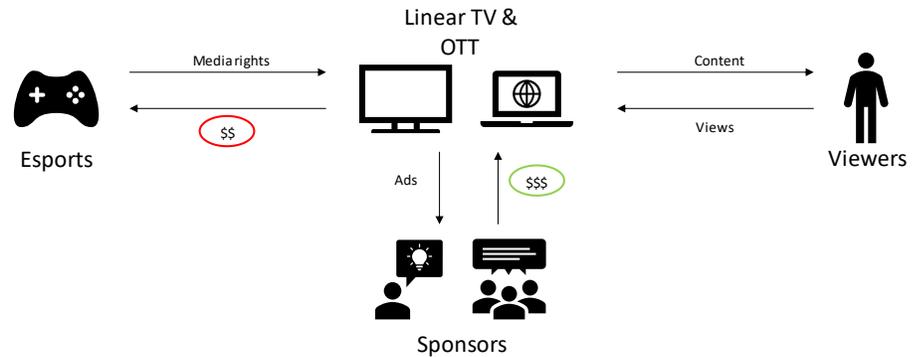
Source: Cerulli Associates, Canaccord Genuity Research

We expect that this shift will put discretionary spending in the hands of millennials and make them a dominant demographic force. This should in turn attract the type of advertising dollars currently enjoyed by traditional sports and primarily targeted at older generations. Looking ahead, we could reasonably expect to see commercial breaks filled with expensive ads and official sponsors of esports tournaments, streams, and teams. This would be bad for golf and baseball, but a potential boon for esports.

### Media rights

Another major long-term opportunity within esports lies in media rights and is a derivative of sponsorship and advertising dollar growth. Media rights deals allow traditional linear TV broadcasters and OTT broadcasters to stream and broadcast events to the public. Given that these broadcasters generate revenue from selling advertising on top of content, it makes sense to us that as ad spend grows, so would the size of media rights deals.

**Figure 21: The simplified economics of media rights deals**

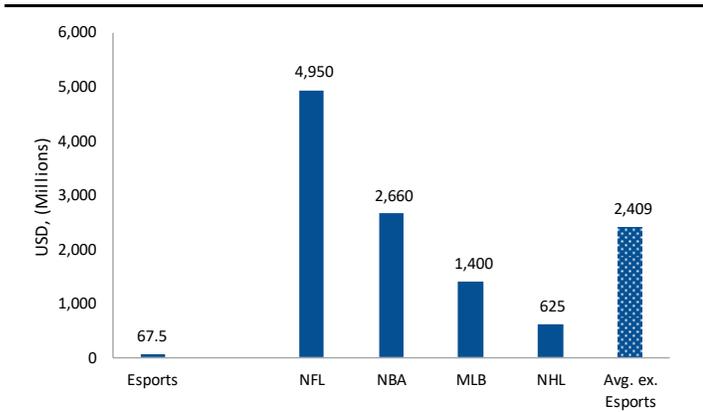


Source: Canaccord Genuity Research

That being said, there exists a material gap between esports and traditional sports media rights deal sizes. While we agree that the sponsorship dollars aren't high enough yet to warrant the ~\$5B per year the NFL generates in media rights, our estimate of \$67.5M for esports media rights revenue in 2018 places it in last place among traditional sports.

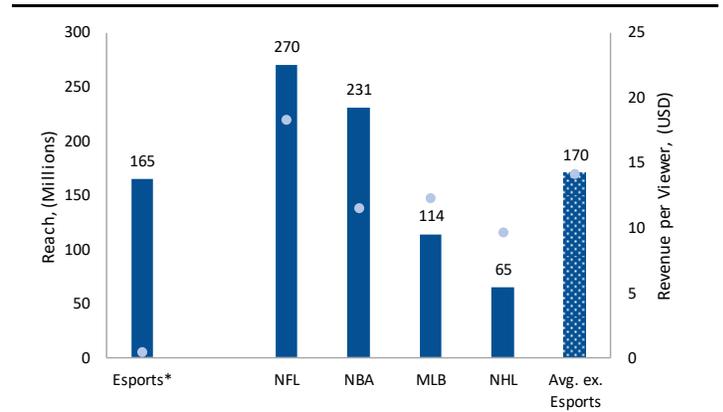
We believe this component of the market will be lumpy and driven by progressively larger discrete events as esports moves into the mainstream and as distributors get comfortable with viewership statistics. With few content growth drivers, particularly live content, and the attractive demographics of esports, we expect content distributors to be come more interested over time.

**Figure 22: Esports media rights revenue pales in comparison to traditional sports deals (2018)**



Source: Nielsen, CBS, ESPN, Canaccord Genuity estimates

**Figure 23: Even with esports reaching 165M viewers globally, in line with major traditional sports averages, it only generates ~1/35<sup>th</sup> the revenue in media rights (2018)**

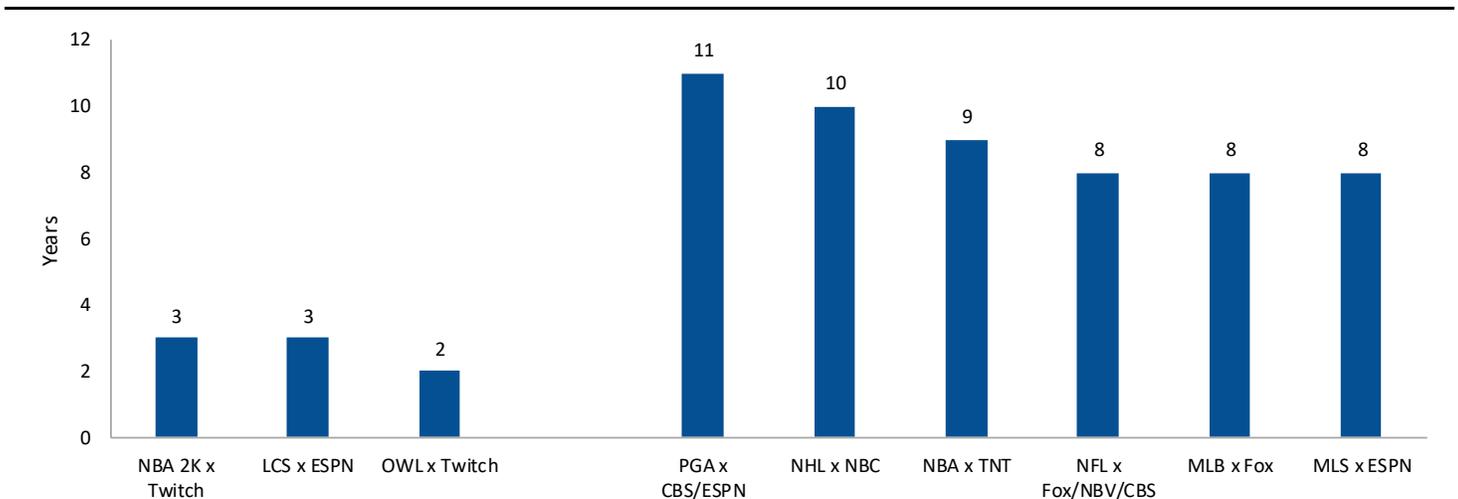


\*Denotes esports enthusiasts

Source: eMarketer, Nielsen, CBS, ESPN, Canaccord Genuity estimates

We expect this monetization gap to shrink in the coming years. While we don't necessarily expect esports to reach parity with traditional sports, it makes sense to us that the figure should grow materially. There exists some low-hanging fruit to help esports media revenue, namely the fact that many esports games and tournaments don't have media deals yet and the contracts that are in place are short-term, allowing for upsizing in the coming years.

**Figure 24: Esports media contracts follow the non-endemic sponsorship track of "land and expand." Current media rights deals in the space are around 2-3 years, while the average traditional sports contract length is around 9 years**



Source: Company Reports, Canaccord Genuity

## Esports industry: Key questions

We expect dynamic and rapid change in this sector as it evolves. We lay out below what we see as key questions for the space over the next year and the next five years.

### **Five key questions for the next twelve months**

- 1) Will Activision loosen its control over franchise leagues?

*We expect the publisher will maintain control over the league structure and logistics through Major League Gaming, its event management arm. Details around the Call of Duty (CoD) franchise will shed light on Activision's updated approach to league economics.*

- 2) How will the new CoD franchise be structured?

*The league will be localized in select cities, with New York and Toronto among the seven that have been announced. We believe tournament play will be hosted at Blizzard Arena in LA at the outset. However, Activision may invent a new format altogether that creates a localized presence while minimizing logistical costs including items such as team travel.*

- 3) How will player contracts evolve?

*We believe player contracts will become specific to professional gamers or content creators, given these two types of players have different monetization abilities. As well, there may be clauses that scale with the growth of the player to create provisions around slower/faster growth than expected.*

- 4) How will live OTT networks evolve?

*We believe live OTT networks will become increasingly interactive. All channels are introducing live chats and interactions with gamers as central to the value proposition.*

- 5) Will we see larger publicly announced media deals?

*We will see larger deals over time; whether this is in the next twelve months or not is difficult to tell. If the Twitch media rights deal size around the new Call of Duty league is announced publicly, this would serve as a great barometer of growth following the 2018 two-year \$90M Overwatch League deal.*

### **Five key questions for the next five years**

- 1) How will esports leagues formats evolve?

*See Esports Teams and Leagues below for a deeper dive. Briefly, we believe that there will be a place for all types of leagues given the right incentives are in place. Localized models have logistical concerns but support the brick-and-mortar growth of the sector. Relegation models may become popular over time.*

- 2) Can the top teams be displaced?

*As the landscape stands, some of the top tier organizations appear to be irreplaceable based on global brand recognition and prestige. Time will tell if new teams will emerge that will be able to take share from these teams with history and unmatched followings.*

- 3) Will esports media rights deal sizes eclipse those of traditional sports?

*As we discuss below, we believe this event is inevitable but will extend beyond a five-year period. The professionalization of the industry will accelerate this timeline.*

- 4) Will we see consolidation among teams?

*We believe this will become more popular toward the end of the five-year period. We believe the opportunity is too open-ended at the present and there is enough support from the private investment community to support this first leg of growth.*

- 5) Will live event attendance for season play rival that of traditional sports?

*We believe physical event attendance will not catch-up to traditional sports in the next five years. With the exception of multinational championship matches, this will require more time and the appropriate infrastructure.*

## Esports forecast: Our proprietary model

Absent any meaningful public financial data related to esports teams, leagues, or event organizers, we endeavoured to size up the North American esports market. We explain below our approach, the basis for our estimates, and rationale for growth by segment.

- **Industry participants.** The North American esports market represents the revenue opportunity for esports teams, pro players, and third-party event organizers in the US and Canada. Within third-party event organizers, we have stripped out the revenue attributed to publishers. For example, any Overwatch League fees raked in by Activision are not considered to be esports revenue for the incumbents we have listed.
- **Consideration to geography.** We have focused our analysis on the North American esports opportunity (US and Canada). In most cases, we have compiled estimates for media, sponsorship, and other segments as they distinctly relate to events and content in North America. However, for items like prize pools, it is not feasible to break out the portion that is captured in North America given the competitions allow for participants on a global scale. We have noted where our analysis is specific to North America (our intent) and where it represents the global opportunity.
- **Audience.** We present a forecast only for global audience on North America-based streaming platforms, which omits audience on international (Chinese) platforms that can be more difficult to assess, along with broadcast TV audiences.
- **Revenue segments.** We have broken out the market into four segments: (1) sponsorship + advertising, (2) media rights, (3) events + merchandise, and (4) prize pools. Sponsorship and advertising and prize pools are the two largest verticals by our estimates, although we expect media rights to have the highest five-year CAGR through to 2023E. Events and merchandise is a smaller but rapidly growing segment. We include prize pools in our sizing since these are predominantly contributed by game publishers, who we view as external to the ecosystem.
- **Conservative estimates; focus on the framework.** We have intentionally chosen to be quite conservative with our estimates and suspect actual results could be materially higher. That said, we find our framework helpful as a starting point for sensitivity analysis.

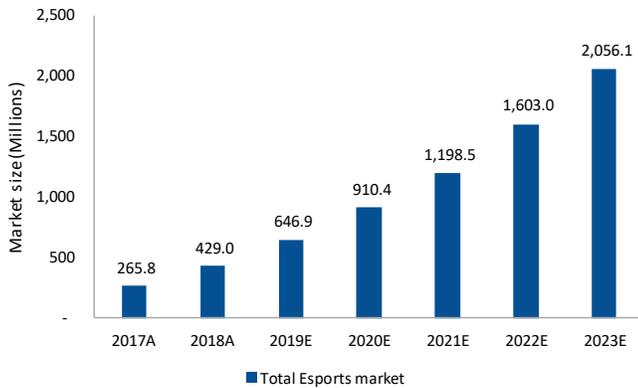
Overall, we see a \$400M market in 2018 growing to become a \$2B market by 2023.

Figure 25: Esports market sizing summary model

US\$ ('000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
a Direct brand sponsorship	35,632	81,250	135,850	189,131	234,336	286,667	347,303
b OTT Advertising	88,773	111,914	141,437	175,764	213,484	251,846	286,728
1 Sponsorship + Advertising	124,406	193,164	277,287	364,894	447,820	538,513	634,030
2 Media	21,500	67,500	108,900	196,020	311,454	553,430	815,321
a Ticket sales + concessions	1,077	2,832	4,364	6,587	9,273	11,722	14,662
b Merchandise (online)	3,339	6,144	9,891	15,413	23,262	34,047	48,417
3 Ticket sales, concessions, and merch	4,415	8,976	14,255	21,999	32,535	45,769	63,079
4 Prize pools	115,512	159,343	246,487	327,471	406,665	465,255	543,694
<b>Total Esports market</b>	<b>265,833</b>	<b>428,983</b>	<b>646,929</b>	<b>910,384</b>	<b>1,198,475</b>	<b>1,602,967</b>	<b>2,056,124</b>
<b>Growth, %</b>	<i>nmf</i>	<b>61%</b>	<b>51%</b>	<b>41%</b>	<b>32%</b>	<b>34%</b>	<b>28%</b>

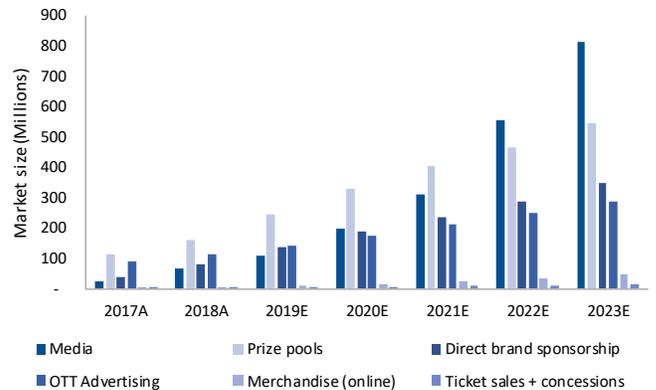
Source: Canaccord Genuity estimates

Figure 26: We see the North American esports market growing at a roughly 37% CAGR through 2023E



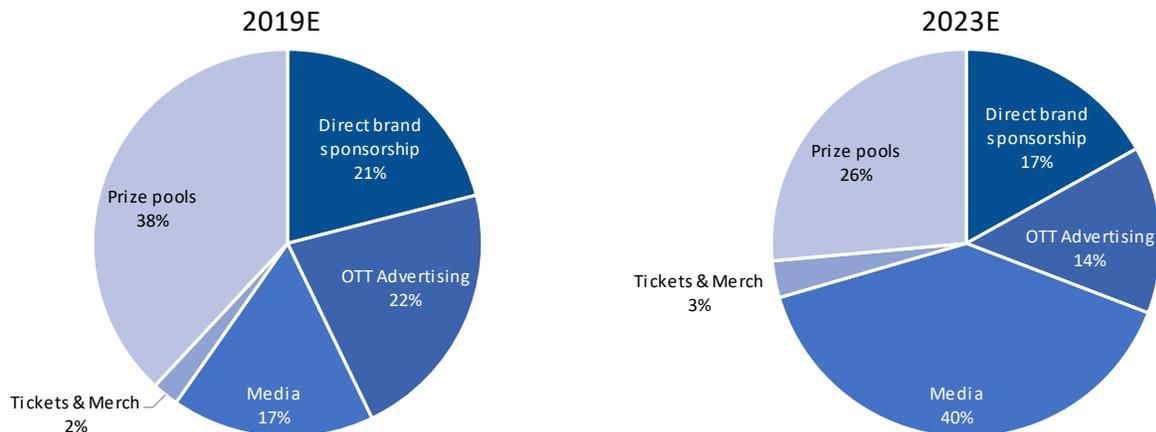
Source: Canaccord Genuity estimates

Figure 27: We expect media deals to be the main driver behind this growth with a 65% five-year CAGR



Source: Canaccord Genuity estimates

Figure 28: We estimate that media will gain the most share, growing from 17% of the market today to 40% in 2023E



Source: Canaccord Genuity estimates

## Audience

Starting with figures from Twitch on average concurrent viewers that we view as solidly reliable, we also estimate viewership across the North America-based leading streaming platforms. We think the audience by 2023 on these platforms can grow from ~87M unique viewers in 2018 to 223.6M unique viewers, not including viewers on international streaming platforms, broadcast television, or at live events.

**Figure 29: Focusing only on North America-based streaming platforms (but looking at their global audiences), we see ~1.5M average concurrent viewers in 2018 growing to ~6.4M by 2023. Based on industry conversations, we apply a 60x multiple to this to arrive at ~87M unique viewers in 2018, and gradually reduce this multiplier to 35x, pointing to 223.6m unique viewers in 2023.**

US\$ ('000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
<b>Twitch (Amazon)</b>							
Average concurrent viewers	747	1,069	1,443	1,876	2,346	2,815	3,237
Growth, %	26%	43%	35%	30%	25%	20%	15%
<b>YouTube Gaming Live</b>							
Average concurrent viewers	303	299	448	672	1,007	1,511	2,267
Growth, %		-1%	50%	50%	50%	50%	50%
<b>Facebook Gaming</b>							
Average concurrent viewers	40	64	109	174	262	366	476
Growth, %		59%	70%	60%	50%	40%	30%
<b>Mixer (Microsoft)</b>							
Average concurrent viewers	4	19	41	82	153	262	410
Growth, %		370%	116%	101%	86%	71%	56%
<b>Total OTT platform viewers (North American platform)</b>	<b>1,094</b>	<b>1,451</b>	<b>2,041</b>	<b>2,805</b>	<b>3,768</b>	<b>4,955</b>	<b>6,390</b>
<b>Growth, %</b>		<b>33%</b>	<b>41%</b>	<b>37%</b>	<b>34%</b>	<b>31%</b>	<b>29%</b>
Concurrent to Unique viewer multiplier*	60.0x	60.0x	55.0x	50.0x	45.0x	40.0x	35.0x
<b>Total Unique Viewers</b>	<b>65,618</b>	<b>87,049</b>	<b>112,267</b>	<b>140,250</b>	<b>169,565</b>	<b>198,187</b>	<b>223,633</b>

\*We estimated a concurrent to unique viewer multiplier through conversations with industry professionals

Source: Streamlabs, Statista, Canaccord Genuity estimates

## Four revenue opportunities

### 1) Sponsorship + advertising

#### 1a) Sponsorship + advertising: Direct brand sponsorship

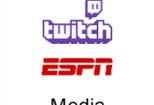
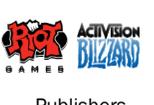
We have subdivided sponsorship + advertising into direct brand sponsorship and the OTT advertising opportunity. We believe direct brand sponsorship will be a driving factor behind North American esports growth, estimating a CAGR of 26.8% through to 2023E.

While financials are rarely disclosed, the number of high-profile deals has grown meaningfully. The Esports Observer counted 76 non-endemic deals in Q1/19, up 95% YoY from 39 deals in Q1/18. This formed the basis for our bottom-up analysis – the number of deals across teams, players, and leagues multiplied by the average deal size.

In addition to supporting the current esports ecosystem, we believe each of these brand announcements helps to legitimize the industry. As non-endemic brands such as Nissan, Coca-Cola, and State Farm get more involved in the space, this justifies growing interest from media and other main stream channels.

Figure 30: Segment profile

1a) Sponsorship + advertising: Direct brand sponsorship

<b>Sold to/ Funded by:</b>	 Brands	 Media	 Consumers	 Publishers
<b>Revenue for:</b>	 Players	 Teams	 Event Orgs	
<b>Geographic focus:</b>	 North America	 Global		

By the numbers:

2019E Market size

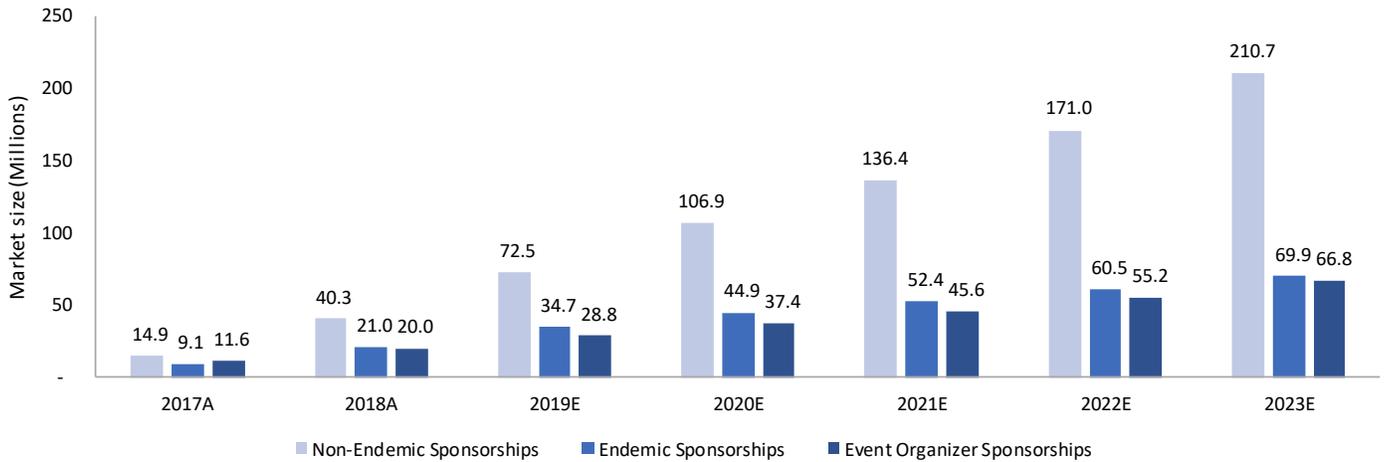
US\$ 135.85 M

5-year CAGR (2018 - 2023E)

33.7%

Source: Company reports, Canaccord Genuity estimates

Figure 31: Non-endemic deals to drive growth in sponsorship revenue



Source: Canaccord Genuity estimates

Figure 32: Model and estimates, 1a) Sponsorship + advertising: Direct brand sponsorship

US\$ (000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
<b>Team + Players - Endemic</b>							
Number of brand deals	140	280	420	504	554	610	671
Growth %	120%	100%	50%	20%	10%	10%	10%
Average US\$ per deal	65	75	83	89	94	99	104
Growth %	15%	15%	10%	8%	6%	5%	5%
<b>Total Team + Players - Endemic Sponsorship</b>	<b>9,130</b>	<b>21,000</b>	<b>34,650</b>	<b>44,906</b>	<b>52,361</b>	<b>60,477</b>	<b>69,851</b>
<b>Team + Players - Non-Endemic</b>							
Number of brand deals	81	161	242	302	332	365	402
Growth %	120%	100%	50%	25%	10%	10%	10%
Average US\$ per deal	185	250	300	354	411	468	524
Growth %	25%	35%	20%	18%	16%	14%	12%
<b>Total Team + Players - Non-Endemic Sponsorship</b>	<b>14,907</b>	<b>40,250</b>	<b>72,450</b>	<b>106,864</b>	<b>136,358</b>	<b>170,993</b>	<b>210,664</b>
<b>League/ Event organizer</b>							
Number of brand deals	13	20	25	29	32	35	38
Growth %	50%	50%	25%	15%	10%	10%	10%
Average US\$ per deal	870	1,000	1,150	1,300	1,442	1,587	1,745
Growth %	15%	15%	15%	13%	11%	10%	10%
<b>Total League/ Event organizer Sponsorship</b>	<b>11,594</b>	<b>20,000</b>	<b>28,750</b>	<b>37,361</b>	<b>45,617</b>	<b>55,197</b>	<b>66,788</b>
<b>Total Direct brand sponsorship</b>	<b>35,632</b>	<b>81,250</b>	<b>135,850</b>	<b>189,131</b>	<b>234,336</b>	<b>286,667</b>	<b>347,303</b>
Growth %	126%	128%	67%	39%	24%	22%	21%

Source: Company reports, Canaccord Genuity estimates

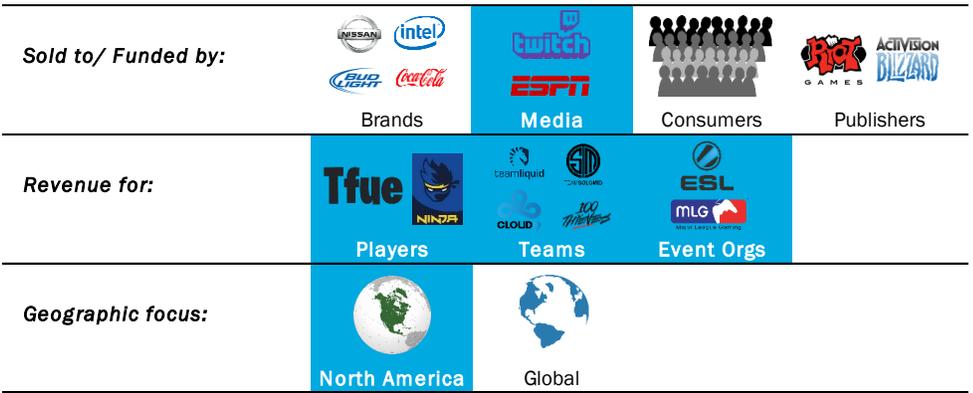
### 1b) Sponsorship + advertising: OTT Advertising

The OTT Advertising angle has always been a major revenue opportunity for pro players and is becoming increasingly important for teams and leagues. All three of these stakeholders are creating regular content to monetize their channels on major OTT platforms like Twitch, YouTube, and others.

The bulk of the opportunity is derived from the value of subscriptions, donations, and views on the Twitch and YouTube platforms. Applying unit economics to rounded totals for the universe of esports-related channels, we have arrived at a 2019E market size of \$141.4M. For most content creators, Twitch distributes \$2.50 of every \$5.00 monthly subscription fee to streamers in a fairly transparent manner. YouTube's model is more complex, depending on the frequency of content, number of views per video, etc. We have already seen many esports teams leverage content from their players to create regular videos on these platforms.

Figure 33: Segment profile

1b) Sponsorship + advertising: OTT Advertising

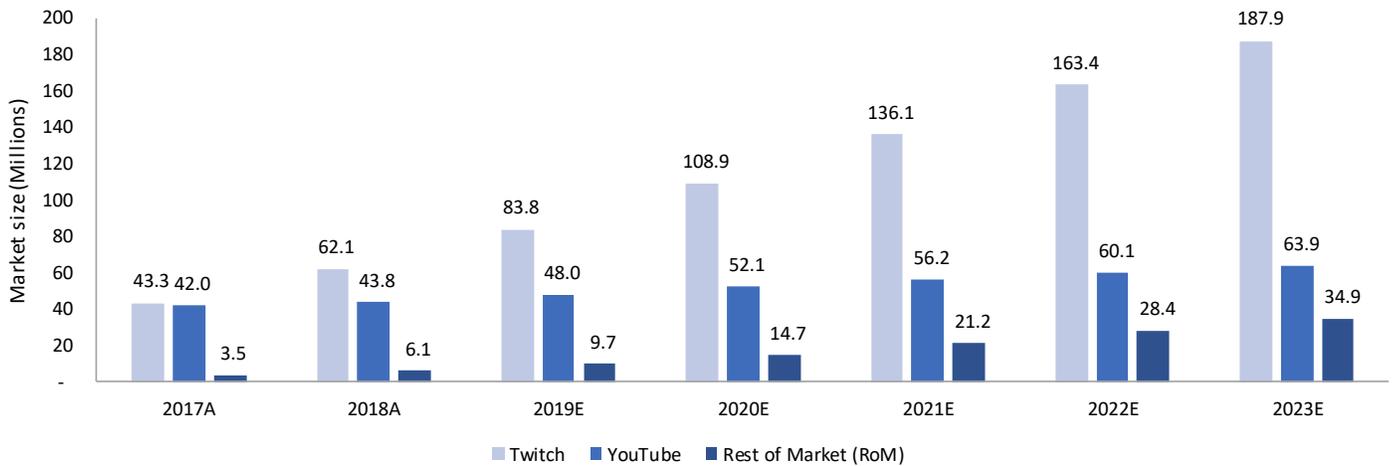


By the numbers:

2019E Market size	US\$ 141.44 M
5-year CAGR (2018 - 2023E)	20.7%

Source: Company reports, Canaccord Genuity estimates

Figure 34: Twitch to remain the dominant OTT streaming platform for esports by viewership and dollars



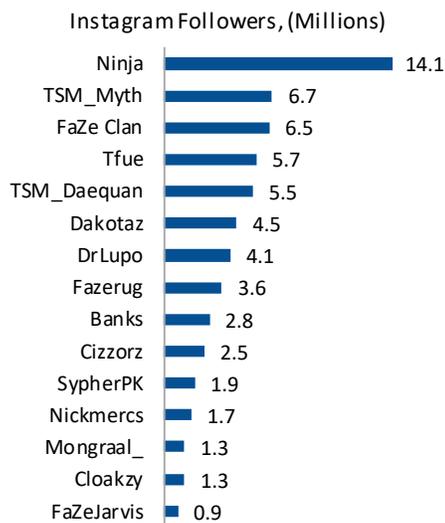
Source: Company reports, Canaccord Genuity estimates

Figure 35: Model and estimates, 1b) Sponsorship + advertising: OTT Advertising

US\$ (000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
<b>Twitch</b>							
# Twitch Subs (000's)	1,310	1,877	2,534	3,294	4,117	4,940	5,682
Growth %	26%	43%	35%	30%	25%	20%	15%
\$/ Twitch Sub [= \$5/ 2 x 12 months]	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Growth %	0%	0%	0%	0%	0%	0%	0%
Twitch Donations	4,022	5,759	7,775	10,108	12,635	15,161	17,436
Growth %	26%	43%	35%	30%	25%	20%	15%
<b>Total Twitch opportunity</b>	<b>43,336</b>	<b>62,061</b>	<b>83,783</b>	<b>108,917</b>	<b>136,147</b>	<b>163,376</b>	<b>187,882</b>
<b>YouTube</b>							
YouTube.com/Gaming Subscriber Count (000's)	77,720	81,090	84,334	87,707	91,215	94,864	98,658
Growth %	0%	4%	4%	4%	4%	4%	4%
% Joined (Paid Subscription)	1.50%	1.50%	1.58%	1.65%	1.71%	1.76%	1.80%
Growth %	0bps	0bps	8bps	7bps	6bps	5bps	4bps
# YouTube Paid Subs (000's)	1,166	1,216	1,332	1,447	1,560	1,670	1,776
Growth %	0%	4%	10%	9%	8%	7%	6%
\$/ YouTube Sub [= \$3 x 12 months]	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Growth %	0%	0%	0%	0%	0%	0%	0%
<b>Total YouTube opportunity</b>	<b>41,969</b>	<b>43,789</b>	<b>47,969</b>	<b>52,098</b>	<b>56,152</b>	<b>60,106</b>	<b>63,931</b>
<b>Rest of Market (Mixer, Caffeine, etc)</b>							
Twitch + YouTube Gaming	85,305	105,850	131,751	161,015	192,299	223,482	251,813
Twitch + YouTube Gaming market share	96%	94%	93%	91%	89%	87%	86%
<b>Total RoM opportunity</b>	<b>3,468</b>	<b>6,065</b>	<b>9,685</b>	<b>14,748</b>	<b>21,185</b>	<b>28,365</b>	<b>34,915</b>
<b>Total OTT Advertising</b>	<b>88,773</b>	<b>111,914</b>	<b>141,437</b>	<b>175,764</b>	<b>213,484</b>	<b>251,846</b>	<b>286,728</b>
Growth %	12%	26%	26%	24%	21%	18%	14%

Source: Company reports, Canaccord Genuity estimates

Figure 36: A random sampling of some of the more followed accounts shows that esports athletes can amass large social media followings



Source: Company reports, Canaccord Genuity estimates

While not included in our estimates due to its black box nature, we think it is important to mention social media advertising and brand deals. In addition to advertisements and sponsorships placed on streams and videos, a number of content creators and athletes partner with advertisers (endemic and non-endemic) to create sponsored posts.

As an example, we have excluded Facebook and Instagram platform revenues from our sizing because we believe these are tools in driving peripheral (1) advertising and (2) merchandise revenue. We do not want to double count the revenue opportunity in either of these sub verticals.

The most notable platform for sponsored posts is Instagram where players on media focused teams rack up millions of followers. According to several agencies, the general rule of thumb is that influencers with 1M followers can make \$10K per post, above 1M followers and influencers can bring in up to \$250K per post (on a dynamic scale). Again, this is driven through third-party corporate sponsorship, which we aimed to have captured in the direct brand investment section.

We see social media advertising revenue as incremental upside and expect it to grow rapidly as esports and pop culture continue to converge.

## 2) Media rights

We characterize esports media rights deals as low volume and high dollar. We use an average North American deal size of \$45M+ to drive our forward estimates. This is based on a \$90M two-year media deal between OWL and Twitch as well as on a seven-year, \$300M deal that fell through between Riot LCS and BAMTech. While the deal did not close (due to Walt Disney, parent of ESPN, acquired BAMtech and ended the deal), we view the \$45M as a reasonable starting point for the current value of annual esports media rights contracts.

Very importantly, we strip out portions of the proceeds that are collected by publishers. For example, we believe Activision retains ~50% of the \$90M revenues from the OWL deal. We exclude this portion from the market sizing as the broader esports ecosystem has no way of accessing this revenue. We expect this publisher rake to decline over time as (1) important stakeholders, namely teams, demand a larger proportion of the proceeds and (2) third-party event organizers take on a larger role and we attribute these revenues to our predefined esports ecosystem.

We estimate a CAGR of 64.6% through the next five years, driven both by (1) increased number of leagues and deals, and (2) increased contract sizes. The increased contract sizes relate to our discussions above related to the gap in monetization between esports and traditional sports. For context, annual contract sizes include ~\$5B for MLB, ~\$2.5B for NBA, ~\$200M for NHL, and ~\$90M for MLS, suggesting there is a range depending on the popularity of the sport. We believe esports media deals will grow to at least the bottom end of this range and conservatively view this as occurring beyond our five-year forecast period.

Figure 37: Segment profile

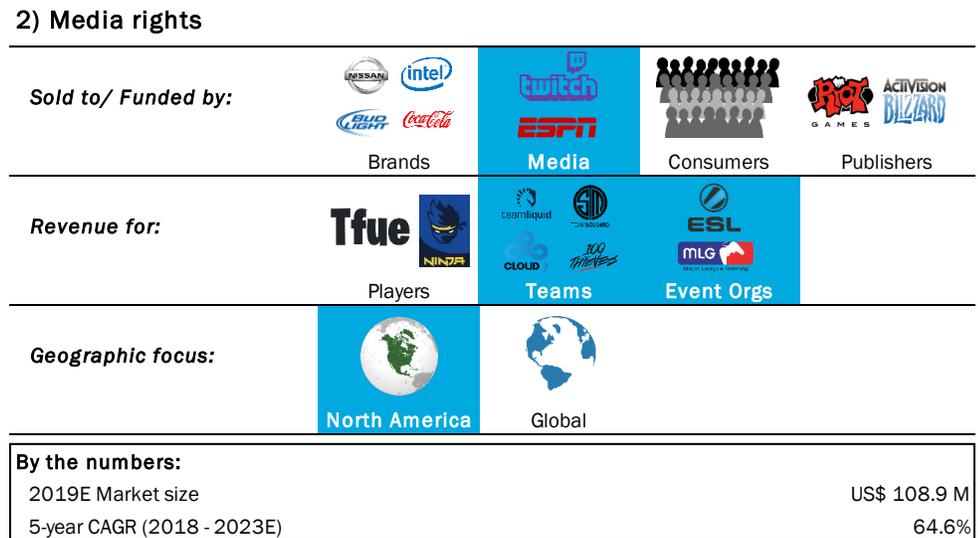


Figure 38: Model and estimates, 2) Media rights

US\$ (000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
Number of active leagues/ open deals (non-exclusive)	1	3	4	6	8	12	15
Growth %		200%	33%	50%	33%	50%	25%
Average US\$ per deal	43,000	45,000	49,500	54,450	59,895	65,885	72,473
Growth %		5%	10%	10%	10%	10%	10%
Subtotal	43,000	135,000	198,000	326,700	479,160	790,614	1,087,094
EXCLUDE amount captured by publisher	50%	50%	45%	40%	35%	30%	25%
Amount kept by publisher	21,500	67,500	89,100	130,680	167,706	237,184	271,774
<b>Total Media</b>	<b>21,500</b>	<b>67,500</b>	<b>108,900</b>	<b>196,020</b>	<b>311,454</b>	<b>553,430</b>	<b>815,321</b>
Growth %		214%	61%	80%	59%	78%	47%

Source: Company reports, Canaccord Genuity estimates

### 3) Events + merchandise

#### 3a) Events + merchandise: Ticket sales + concessions

We subdivided the Events + merchandise market into two sub verticals: Ticket sales + concessions and online merchandise. The former, ticket sales + concessions, attempts to capture all esports revenue generated at live events. As seen in the profile below, the physical event space is the flow of revenue from consumers to event organizers.

We applied average ticket (~\$20) and concession (~\$10) prices against a rounded number of live event patrons annually. The ~\$20 reflects the going rate for an OWL or LCS game which represent two of the most established leagues in North America. The \$10 for concessions reflects a far lower average in comparison to traditional sporting events due in part to lower alcohol sales. The average esports event attendee skews younger than traditional live sporting events which doesn't allow for the sale of alcoholic beverages.

We expect the total number of patrons (estimated 141.0K attendees for all North American esports events in 2019E) to grow in stride with the number of live tournaments across all leagues and third-party organizers.

Figure 39: Segment profile

#### 3a) Events + merchandise: Ticket sales + concessions

<b>Sold to/ Funded by:</b>	 Brands Media	 Consumers Publishers	
<b>Revenue for:</b>	 Players	 Teams	 Event Orgs
<b>Geographic focus:</b>	 North America	 Global	

<b>By the numbers:</b>	
2019E Market size	US\$ 4.36 M
5-year CAGR (2018 - 2023E)	38.9%

Source: Company reports, Canaccord Genuity estimates

Figure 40: Model and estimates, 3a) Events + merchandise: Ticket sales + concessions

US\$ (000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
Total patrons in attendance at live tournaments (North America, 000's)	37.1	96.0	141.0	196.5	255.3	297.7	343.4
Growth %	753%	159%	47%	39%	30%	17%	15%
Ticket sales: Average US\$ per ticket	19.00	19.50	20.45	22.50	24.74	27.22	29.94
Growth %	0%	3%	5%	10%	10%	10%	10%
Total ticket sales	705	1,872	2,883	4,420	6,317	8,103	10,280
Concession sales: Average US\$ spend per patron	10.00	10.00	10.50	11.03	11.58	12.16	12.76
Growth %	0%	0%	5%	5%	5%	5%	5%
Total concession sales	371	960	1,481	2,166	2,955	3,619	4,382
<b>Total Ticket sales + concessions</b>	<b>1,077</b>	<b>2,832</b>	<b>4,364</b>	<b>6,587</b>	<b>9,273</b>	<b>11,722</b>	<b>14,662</b>
Growth %	753%	163%	54%	51%	41%	26%	25%

Source: Company reports, Canaccord Genuity estimates

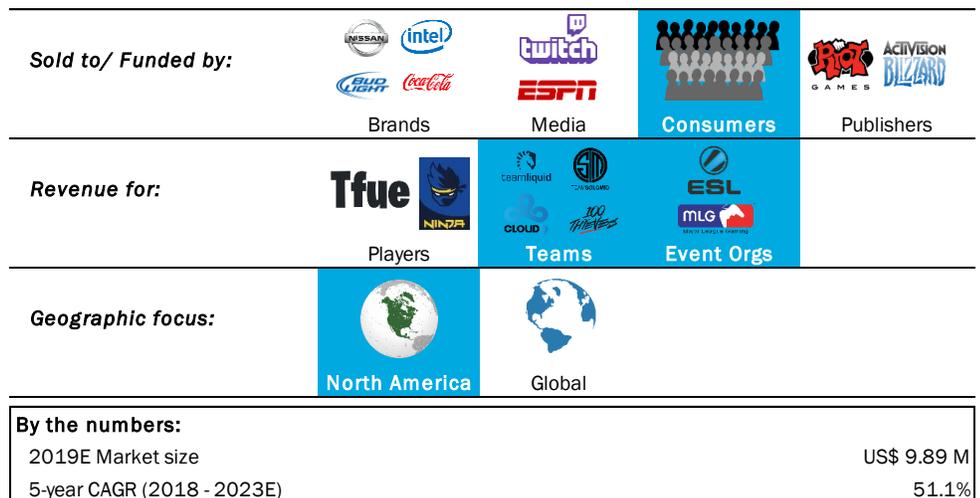
3a) Events + merchandise: Merchandise (online)

Online merchandise sales are becoming an increasingly important angle for esports teams and league organizers. We exclude players as a beneficiary of this vertical because the opportunity is exclusively reserved for a handful of top tier players.

With respect to team merchandise, we believe there is a unique opportunity for this vertical over time. As esports continue to grow and become increasingly mainstream, we think that it is fair to expect that consumers will wear the jersey of their favourite esports team recreationally. This trend may be accelerated by (1) the growth and stabilization of localized franchise models and (2) many teams' focus on being an attractive social media asset.

Figure 41: Segment profile

3b) Events + merchandise: Merchandise (online)



Source: Company reports, Canaccord Genuity estimates

**Figure 42: Model and estimates, 3a) Events + merchandise: Merchandise (online)**

US\$ (000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
Total average viewers (from Viewership tab) (000's)	1,094	1,451	2,041	2,805	3,768	4,955	6,390
Growth %		33%	41%	37%	34%	31%	29%
Conversion rate (those that purchase merch)	1.5%	2.0%	2.2%	2.4%	2.6%	2.8%	2.9%
Growth %		33%	10%	9%	8%	7%	6%
Total buyers (000's)	16	29	45	67	98	137	188
AOV, \$	99.78	\$102.78	105.86	109.04	112.31	115.68	119.15
Growth %		3%	3%	3%	3%	3%	3%
Order Frequency	2.04	2.06	2.08	2.10	2.12	2.14	2.17
Growth %		1%	1%	1%	1%	1%	1%
<b>Total Merchandise</b>	<b>3,339</b>	<b>6,143</b>	<b>9,891</b>	<b>15,412</b>	<b>23,261</b>	<b>34,046</b>	<b>48,415</b>
Growth %		84%	61%	56%	51%	46%	42%

Source: Company reports, Canaccord Genuity estimates

#### 4) Prize pools

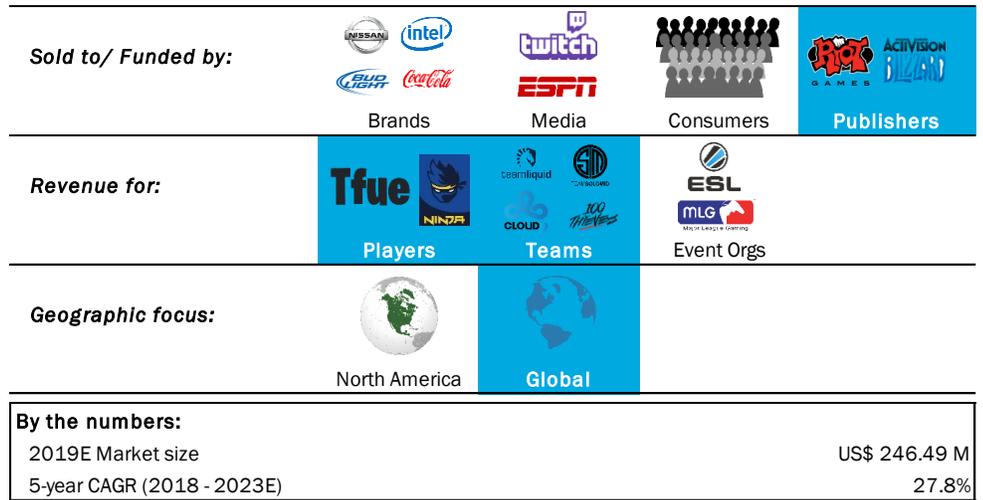
We believe prize pools are an important element of the global esports market. While the ecosystem is built around sponsorship, advertising, and media (like traditional sport), increasingly meaningful prize pools provide a base level of revenue to foster intense competition among players and teams.

Of our \$246.5M prize pool estimate for 2019E, \$80M of this amount has been contributed by Epic Games for Fortnite (\$20M of the \$100M announced prize pool was captured in 2018 competition). The 2019 Fortnite World Cup's \$30M prize pool is currently expected to be the single largest prize pool of all time, surpassing records previously set by DOTA 2.

It is not possible to accurately break this vertical out by geography, considering many international prize pools can be won by players and teams across the globe. In theory, 70%+ of the total prize pool market could be won by a single geography if the region is dominant across all video games. Therefore, we add the caveat to our analysis that the market sizing is inflated when considering only the North American market. That said, we believe a CAGR of 27.8% and 2023E global prize pool of \$543.7M are conservative considering the enormous potential behind esports and \$150B+ gaming industry backing the ecosystem.

Figure 43: Segment profile

4) Prize pools



Source: Company reports, Canaccord Genuity estimates

Figure 44: Model and estimates, 4) Prize pools

US\$ ('000's)	2017A	2018A	Forecast period				
			2019E	2020E	2021E	2022E	2023E
Dota 2	38,055	41,420	45,562	50,118	55,130	60,643	66,707
Fortnite	-	20,056	80,000	120,000	150,000	150,000	150,000
Counter-Strike: Global Offensive	19,266	22,670	26,071	29,981	34,478	39,650	45,597
League of Legends	12,203	14,545	15,999	17,599	19,359	21,295	23,424
PLAYERUNKNOWN'S BATTLEGROUNDS	1,008	8,190	12,285	18,428	23,035	25,914	27,534
Overwatch	3,469	6,590	7,908	9,490	11,388	13,665	16,398
Hearthstone	3,477	4,712	6,125	7,963	10,352	13,458	17,495
Call of Duty	4,300	4,917	6,000	7,321	8,933	10,900	13,300
StarCraft II	3,407	4,013	4,615	5,308	6,104	7,020	8,073
Heroes of the Storm	5,444	5,277	1,055	211	42	8	2
FIFA	1,834	3,203	5,606	9,810	13,489	16,018	17,520
Rainbow Six Siege	864	1,927	3,372	5,901	8,114	9,635	10,539
Arena of Valor	470	3,324	5,817	8,726	11,634	14,220	16,327
Rocket League	1,420	2,297	3,446	5,169	7,754	11,630	17,446
Magic: The Gathering	116	210	4,000	8,000	12,000	15,000	16,875
Halo	1,748	1,874	2,061	2,267	3,401	5,101	7,652
Gears of War	1,064	1,022	1,022	1,022	1,022	1,022	1,022
Shadowverse	120	1,310	2,293	3,439	4,585	5,604	6,434
Street Fighter	1,316	1,150	920	736	589	471	377
Apex Legends	-	-	2,500	1,250	625	313	156
Super Smash Bros	1,127	693	763	839	923	1,015	1,117
SMITE	1,568	1,184	237	47	9	2	0
CrossFire	1,519	1,075	215	43	9	2	0
NBA	-	1,000	1,200	1,440	1,728	2,074	2,488
World of Warcraft	726	740	740	740	740	740	740
Quake	1,507	643	129	26	5	1	0
StarCraft: Brood War	369	435	500	575	661	761	875
Paladins	357	559	559	559	559	559	559
Tekken 7	284	327	392	470	564	677	813
Brawlhalla	171	298	595	992	1,433	1,857	2,224
Plus other/ new titles	8,305	3,682	4,500	9,000	18,000	36,000	72,000
<b>Total Prize Pool</b>	<b>115,512</b>	<b>159,343</b>	<b>246,487</b>	<b>327,471</b>	<b>406,665</b>	<b>465,255</b>	<b>543,694</b>
<b>Growth %</b>	<b>18%</b>	<b>38%</b>	<b>55%</b>	<b>33%</b>	<b>24%</b>	<b>14%</b>	<b>17%</b>

Source: Company reports, Canaccord Genuity estimates

## Esports teams and leagues

Esports teams are quickly becoming the face of esports and increasingly valuable digital assets. As seen above, teams stand to benefit from every aspect of the esports ecosystem except for physical event tickets and concessions, which are a very small proportion of the pie.

With the proliferation of social media as a monetization engine, teams are leveraging their global audiences to drive advertising dollars as well as push their merchandise. This is becoming an increasingly popular strategy. Teams share modestly in media rights revenues, to the extent that publishers and league organizers share the economics. And prize pools are a last line of insulation should a team have difficulty monetizing any of the previous angles.

We have commented in previous research on a dichotomy in strategies among world-class teams: media asset vs championship team. Groups in the former cohort have focused strategies to maximize the brand presence and the number of followers on social media feeds. We profile FaZe Clan below as a prime example. The second group of teams includes Team Liquid and Cloud9; these teams prioritize farming a highly competitive team that will secure championship after championship. The rationale is that brand prestige will attract the best players, which will draw the largest audiences, forming a virtuous circle.

All in all, our experience speaking with both teams is that diversification among the many verticals will result in the strongest financial organization. As well, diversification beyond the core esports market (for example, into peripheral software or IP) would also benefit the business in the medium-term.

### FaZe Clan: Content creation and monetization

FaZe Clan is a nine-year-old organization that has assembled some of the highest profile gamers and content creators globally. The company is focused on recruiting top talent and building a brand around these players. In this way, players are able to build a profile that extends beyond the life cycle of video games.

In attracting talent, FaZe Clan has historically scouted extremely talented pro players who also have clout around social media circles. This includes an established following and marketable personality. The well-known FaZe Clan team house is a prime example of a content-generating machine. The Los Angeles mansion houses several of the teams most familiar characters, who spend their days gaming and performing entertaining acts/ skits to upload to their social channels.

FaZe Clan's investments in technology help the company to become a more effective media asset. For example, the company has developed technology (FaZe Recorder) to streamline the aggregation and creation of video content. As well, the company monitors multiple datapoints – for example, what time of the day is most effective for certain players to stream or what triggers or actions grow viewership statistics. The company is transparent about its goal to maximize viewership to drive sponsorship and ad revenue – key angles in the esports market that we described above.

### Team Liquid: Unwavering focus on winning

Founded in the year 2000, Team Liquid leads the overall all-time Team Earnings leaderboard with \$28.4M in winnings across 1,500+ tournaments. These winnings are supported by several meaningful DOTA 2 tournament winnings which exceeded several million dollars per tournament.

Figure 45: FaZe Clan and Team Liquid logos



Source: Liquipedia

We toured the facilities pictured below, which are extremely impressive. The analytics and feedback loop with the players is incredible and demonstrates the team's steadfast commitment to winning.

Consistent with the need to diversify revenues, Team Liquid has also recognized a need to build out peripheral assets to support the core esports revenues. Team Liquid owns a web-based esports encyclopedia called Liquipedia as well as a media and content creation asset called 1UP Studios. As the ecosystem grows, we believe these well-positioned team orgs will be innovative in their methods of monetizing these related assets.

**Figure 46: Alienware player training facility**



Source: Canaccord Genuity research

### **Thoughts on the future: Looking out five years**

We expect the next five years to be a shakeout period in which the winners will rise to the top while the losers fade into the background. The groundwork has been laid and different models, approaches, and processes have emerged.

While we expect many important changes in the space, we want to look at the lowest common denominators; the areas of esports that have the power to completely change the landscape. Leagues will dictate much of the development and the players and teams have the power to influence this. Ancillary opportunities such as game design, cloud gaming, physical arenas, social media, and merchandise are attached to the core and will follow in tow.

#### **1) League structure: Localized versus digital**

There exist two broad types of league structures, localized and digital. Localized leagues are similar to traditional North American sports leagues in that each sport and each city has one name and one brand. For example, there will ever only be one "New England Patriots" team, there will never be an MLB or NHL team with the Patriots branding.

We believe that sponsorship and media licensing at the early stage are de-risked by a local model or a franchise with longer-term rights. While there is no guarantee of performance, it does allow for some continuity.

Digital teams, on the other hand, are equitable to action sports. Red Bull is a great example of this. The company hosts a Red Bull F1 team and there are Red Bull skateboard, ski, snow board, surf, BMX, base jump, air race, and cycle athletes. None of these are domiciled in any single city or geography.

The localized team model works fantastically for traditional sports but has much to prove in esports for two main reasons: the number of professional esports leagues and the lack of loyalty amongst millennials. We believe the digitally oriented model is more sustainable although this will play out over time.

- **Cities would be spread too thin** in terms of fan base for esports to follow a localized model. Within traditional sports, there are 3 to 4 teams per city that maintain a strong fan base. For reference, an average esports organization such as Team Liquid has anywhere between 7 to 15 unique teams. Nielsen has found that the average US esports fan follows 5.7 games. As games shift in popularity, we believe it will be difficult for a single city to support a robust esports ecosystem around a full slate of esports titles.

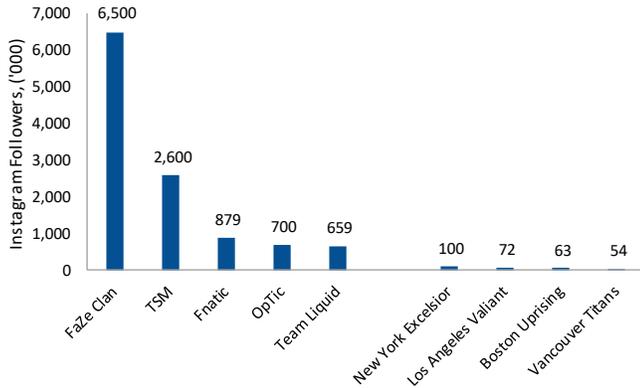
**Figure 47: Esports has around 3x as many major leagues when compared to traditional sports**

Traditional Sports		Esports			
	NFL		Dota 2		Call of Duty
	NBA		Fortnite		StarCraft II
	MLB		CSGO		FIFA
	NHL		League of Legends		Rainbow Six Siege
			PUBG		Rocket League
			Overwatch		Apex Legends
			Hearthstone		

Source: Canaccord Genuity research

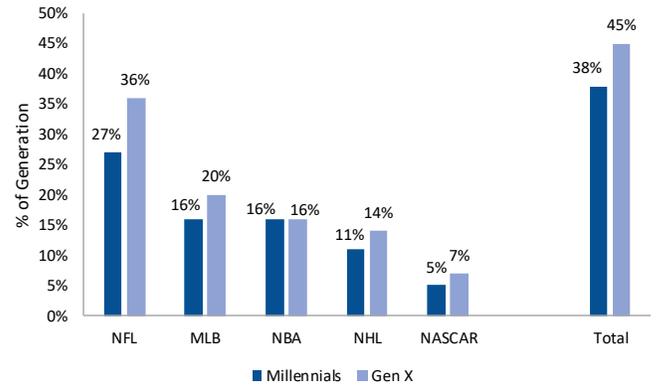
- **The current viewership demographic does not support local teams.** In an increasingly global, digital, and connected world, millennials and Gen Z are becoming more and more tied to digital communities rather than physical ones. The idea that a millennial or Gen Z-er would be tied to their city's sports teams still exists but is becoming far less often the case. We believe that millennial fan bases for traditional, local sports teams exist because those individuals grew up within that community. We do not necessarily think this will be the case with esports. We expect that going forward, publishers outside of Activision will experiment with a digital model (similar to Riot Gaming) to align with their fans and viewers.

**Figure 48: Digital esports teams tend to drastically outperform local teams in terms of both followers and engagement**



Source: Instagram, Canaccord Genuity research

**Figure 49: Localized sports leagues are falling in popularity with younger generations**



Source: McKinsey, Canaccord Genuity research

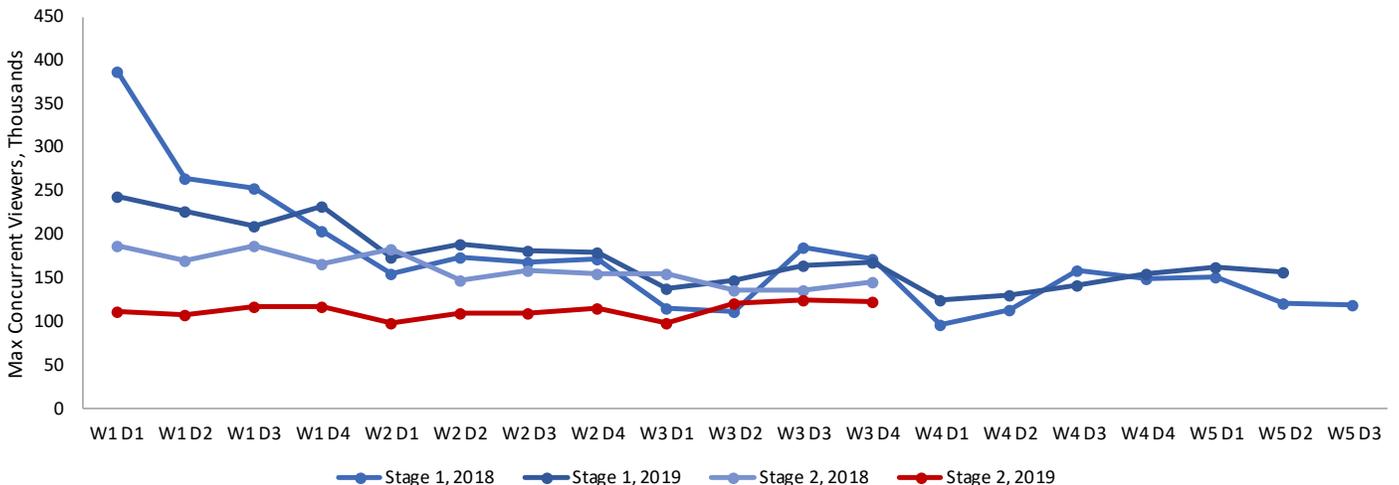
## 2) League format: Relegation versus franchise

Regardless of league structure, there are two formats which it can follow, relegation and franchise. Declaring a 'winner' here is less clear than in the local versus digital debate as in the world of traditional sports, both can be successful. However, we see the relegation format emerging as superior to foster longer-term competition.

The lack of a formal draft system supports this. Within franchised league models such as the NFL, MLB, NBA and NHL, every year the losing team is given an advantage through more advantageous draft picks. The idea behind this format is that over time, a losing team can sign better talent and become a winning team. Esports does not have a draft system and this would take decades to build out – decades that would extend beyond the longevity of the average video game. As such, a losing team will remain a losing team which can take away from the prestige of a league.

This problem is solved through a relegation system such as in European soccer leagues. A relegation model enforces a minimum level of quality and helps the leagues to be as competitive as possible. The more intense the matches are, the more engaged fans will be.

**Figure 50: Overwatch League (OWL), a franchised league, experienced negative growth in stage 1 of its second season and negative growth in stage 2 (Average Concurrent Viewers)**



Source: Esports Observer, Canaccord Genuity research

**3) Player representation: Self representing versus third-party agents**

In the early days of esports, teams were comprised of a few friends or highly ranked players participating in small local tournaments for fun or nominal prizes. As the industry has evolved and grown, these small teams have turned into large scale organizations. The notion that a player could represent himself/herself in contract negotiations is becoming less acceptable, especially as contracts become more complex. We expect third-party representation through agencies to become the norm as it is in the traditional sports world.

A shock in the right direction was the recent legal battle with popular Fortnite player Turner Tenney (Instagram handle: tfue | 5.7M followers). In short, Tenney is suing FaZe Clan claiming that his player contract was “oppressive.” Regardless of the details which are subject to speculation, the incident is a major step in the professionalization of the player/team relationship and the professionalization of the industry.

The company’s commentary was that player contract renegotiation will likely become commonplace in the industry, the same way it exists in the music and traditional sports businesses. Third-party managers and agents are expected to become the norm over time, but currently players are either unsophisticated or uninterested in having professional representation. FaZe did state it has encouraged its players to have third-party representation.

## Recent capital markets activity and private company valuations

Quite a lot has happened since our last [esports whitepaper](#) published on February 12, 2019. In the last 5 months we have found 27 disclosed funding rounds totaling \$281.4M (4 transactions were for undisclosed amounts) and 12 acquisitions. The section below serves to aggregate the industry's recent capital markets activity as well as esports organization private company valuations.

**Figure 51: We found 27 funding rounds over the last 5 months totaling ~\$281M (4 undisclosed transactions)**

Date	Funding Round	Company	Capital Raised
7/16/2019	Series B	100 Thieves	\$35M
7/16/2019	Seed Round	Pixion Games	\$2M
7/3/2019	Undisclosed	smartVR	\$1.7M
6/21/2019	Undisclosed	Allied Esports	\$5M
6/14/2019	Seed Round	WUCG	N/A
6/14/2019	Series B	Particle Fever	\$14.5M
6/13/2019	Angel Round	Playz	N/A
6/12/2019	Seed Round	Maijin Culture	N/A
6/6/2019	Series A	MCES	\$2M
6/3/2019	Undisclosed	MateCrate	\$1.57M
5/20/2019	Seed Round	Bono Health	N/A
5/2/2019	Seed Round	GameClub	\$2.5M
5/1/2019	Series B	Immortals Gaming Club	\$30M
5/1/2019	Series A	Fnatic	\$19M
4/29/2019	Seed Round	Expiremental	\$500K
4/24/2019	Undisclosed	aXiomatic Gaming (Team Liquid)	\$21.5M
4/23/2019	Undisclosed	GoMeta	\$6M
4/17/2019	Undisclosed	Gen.G	\$46M
3/28/2019	Seed Round	Players' Lounge	\$3M
3/27/2019	Undisclosed	GamingMonk	\$100K
3/27/2019	Seed Round	Wormhole Lab	\$8M
3/22/2019	Undisclosed	Aquilini GameCo	\$18.7M
3/7/2019	Series A	EVOS Esports Club	\$3.8M
3/6/2019	Undisclosed	G-Loot	\$25M
3/6/2019	Undisclosed	Novos	\$750K
2/26/2019	Seed Round	G2 Esports	\$17.3M
2/21/2019	Undisclosed	Action Network	\$17.5M

Source: Crunch Base, Index.co, Esports Insider, Forbes, Canaccord Genuity research

**Figure 52: The esports market saw 12 disclosed M&A transactions from Feb-July**

Date	Acquirer	Target	Purchase Price
6/19/2019	Amazon (Twitch)	Bebo	~\$25M
6/18/2019	Epic Games	Housepart	N/A
6/12/2019	ReKTGlobal	Greenlit Content	N/A
6/10/2019	Super League Gaming	Framerate	N/A
6/7/2019	Immortals Gaming Club	Infinite Esports & Entertainment	\$40M
6/6/2019	Dignitas	Clutch Gaming	N/A
5/29/2019	PEAK6 Investments	Evil Geniuses	N/A
5/29/2019	OverActive Media	MAD Lions Esports Club	N/A
5/20/2019	Mediapro	Fandroid	\$24.6M
5/1/2019	Immortals Gaming Club	Gamers Club	N/A
5/1/2019	Epic Games	Psyonix Studios	N/A
3/22/2019	Aquilini GameCo	Luminosity	N/A

Source: Crunch Base, Index.co, Esports Insider, Forbes, Canaccord Genuity research

Figure 53: Esports organization valuations place C9, TSM, and TL above a \$200M valuation, the average EV to Sales ratio is 13.7x

Rank	Company	Owners	EV (\$M)	Revenue (\$)	Number of Players	Number of Teams	Primary Games
1	Cloud9	Jack and Paullie Etienne	\$310	\$22	92	11	League of Legends, Overwatch, Fortnite, Counter-Strike: Global Offensive, Rainbow Six Siege, Clash Royale
2	Team SoloMid	Andy Dinh	\$250	\$25	39	7	League of Legends, Fortnite, PlayerUnknown's Battlegrounds, H1Z1, Clash Royale, Hearthstone
3	Team Liquid	aXiomatic	\$200	\$17	65	14	League of Legends, Counter-Strike: Global Offensive, DOTA 2, Fortnite, Hearthstone, Rainbow Six Siege, Clash Royale, PlayerUnknown's Battlegrounds
4	Echo Fox	Vision Venture Partners	\$150	\$11	23	8	League of Legends, H1Z1, Dragonball FighterZ, Injustice 2, Super Smash Bros, Street Fighter, Shadowverse
5	OpTic Gaming	Infinite Esports & Entertainment	\$130	\$10	52	6	League of Legends, Overwatch, Call of Duty, Counter-Strike: Global Offensive, Fortnite, PlayerUnknown's Battlegrounds
6	Fnatic	Sam and Anne Matthews	\$120	\$11	45	11	League of Legends, Fortnite, Counter-Strike: Global Offensive, DOTA 2, FIFA, Clash Royale, Rainbow Six Siege
7	Gen.G Esports	Kevin Chou, Kent Wakeford, Michael Li, Philip Hyun, Arnold Hur	\$110	\$12	50	7	League of Legends, Overwatch, PlayerUnknown's Battlegrounds, Heroes of the Storm, Clash Royale
8	G2 Esports	Carlos Rodriguez Santiago, Jens Hilger	\$105	\$8	53	11	League of Legends, Counter-Strike: Global Offensive, Hearthstone, Fortnite, Rainbow Six Siege, Rocket League, Clash Royale
9	Immortals	Noah Whinston	\$100	\$5	22	4	Overwatch, Counter-Strike: Global Offensive, Clash Royale, Rainbow Six Siege
10	Envy Gaming	Mike Rufail, Ken Hersh	\$95	\$5	69	7	Overwatch, Call of Duty, Counter-Strike: Global Offensive, Fortnite, PlayerUnknown's Battlegrounds
11	100 Thieves	Matthew "Nadeshot" Haag, Scooter Braun, Drake, Dan Gilbert	\$90	\$5	33	4	League of Legends, Fortnite, Call of Duty, Clash Royale
12	Counter Logic Gaming	MSG	\$50	\$4	45	7	League of Legends, Fortnite, Counter-Strike: Global Offensive, Super Smash Bros, H1Z1, Smite, Clash Royale

Source: Forbes, Canaccord Genuity research

## Esports betting market

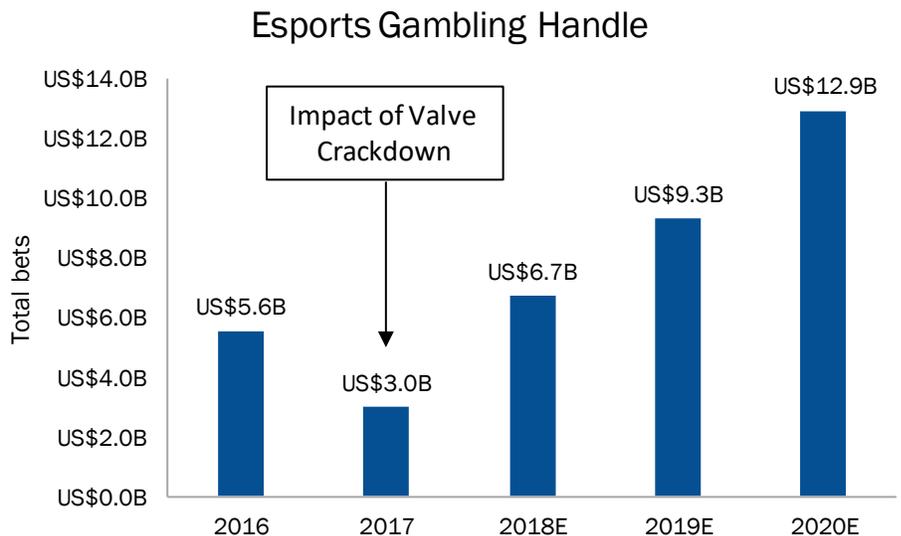
We believe the esports betting market remains an important discussion point given the magnitude of the opportunity. While not technically part of the esports ecosystem, the betting market is expected to grow in stride and is attracting investment all the same. Eilers & Krejcik and Narus estimate a 2020E handle of \$12.9B. Assuming a rounded 5% net revenue on this handle implies a \$645M opportunity for esports gambling operators. While the current sports betting market is controlled by a number of well-known platforms, we believe there exists an opportunity for endemic players to gain share of this massive opportunity.

We believe inefficiencies and limited competition in the esports gambling space could result in a higher yield, but this would carry higher volatility in profits. We also note that the recent US Supreme Court decision to strike down prohibition on sports betting is a boon for the nascent sector.

In 2016 (and as pointed out in the chart below), Valve was pressured to issue cease-and-desist letters to many of popular sites which offered skin betting. Historically, many gambling websites offered skin betting. These skins have no impact on gameplay and are strictly cosmetic. For example, these change the appearance of a character, accessory, or weapon. These skins are typically purchased by players for fiat currency or hard-earned in-game currency and can be extremely valuable.

However, this created a market for betting which had become accessible to minors, as well as being operated without proper oversight. According to The Lines, Valve was pressured to issue cease-and-desist letters to many of these popular sites, which were using Valve's IP for commercial use. In short, this dried up the supply side of the esports gambling market, which was otherwise thriving. According to Eilers & Krejcik and Narus, the projected figures more than halved following a Valve crackdown related to skins betting. With that said, the prohibition on skin betting has created a window for esports cash betting websites which is becoming an ever more competitive space.

**Figure 54: Expectation for solid growth**



Source: Eilers & Krejcik Gaming, Narus, Canaccord Genuity research

We believe there is a strong intuitive argument to be made for the growth potential in esports gambling. While traditional sports are based in physical arenas and it is common to watch events on television via a cable subscription (although less and less so every year), esports are almost exclusively viewed online. Rather than relying on second-screen viewing, an esports viewer is more likely streaming an esports event and can simultaneously follow betting lines on a separate browser tab or on the same webpage.

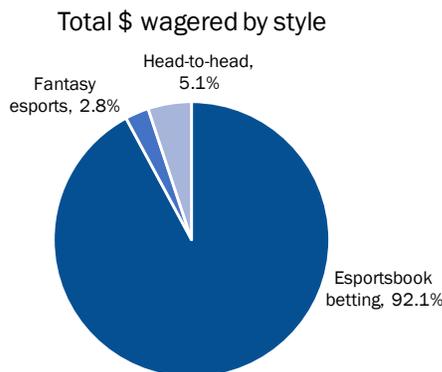
Another inherent advantage to esports betting is that the market size and growth are independent of popularity changes in esports. For example, we previously addressed the risk of game titles falling out of favour as a risk to publishers and the franchise team model. However, esports betting websites will offer products suitable for all games, eliminating much of the risk. Esports gambling websites are agnostic with regard to the publisher, IP issues, API's and game popularity/cyclicality. For as long as the broad sector and esports audiences grow, it is reasonable to expect complementary growth in the gambling market.

### Types of esports gambling formats

There are also several types of esports betting that have some similarities and differences from traditional sports betting. Three of the main styles include:

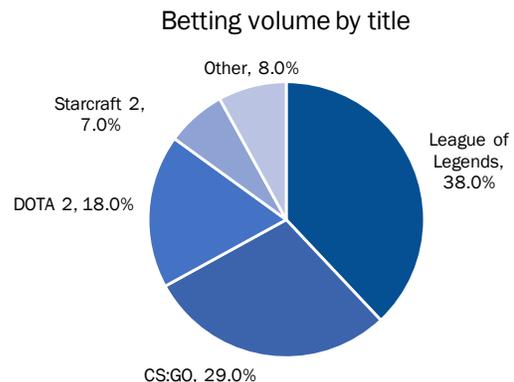
1. **Esportsbook betting.** Traditional format; players wager on outcome of esports events. The familiar format makes it the largest market by size (Figure 55). Potential challenges include a lack of data for bookmakers, which can limit opportunities for creative pricing such as parlays (combination bets that can often increase margins for sportsbook operators). Publishers own this data, but they are incentivized to make this data public so that esports competitors and gamblers alike can delve into the statistics; similar to traditional sports.
  - > *Operator economics: Taking a spread on betting lines.*
2. **Fantasy esports.** This is akin to a fantasy format for traditional sports. Users create a roster of esports pros. A salary cap model is most prevalent. While a small market currently, this may thrive as engagement and familiarity grow.
  - > *Operator economics: A rake (or fees) on cash-prize contests.*
3. **Head-to-head.** This interactive angle allows players to compete against one another for the spoils. This is also a small market currently with loose regulatory oversight. However, there is an opportunity to create a sizeable market where passionate players can compete for cash (microtransactions even) making everyday gameplay much more exciting.
  - > *Operator economics: A rake (or fees) on cash-prize contests.*

Figure 55: Head-to-head an interesting angle in esports



Source: Eilers & Krejci Gaming, Narus, Canaccord Genuity research

Figure 56: LoL the most popular title by betting volume



Source: Eilers & Krejci Gaming, Narus, Canaccord Genuity research

## Esports viewership data

Figure 57: Trailing 12-month viewership data from twitch tells us that Fortnite and League of Legends are the most viewed games

Rank	Game	Watch time	Peak viewers	Peak channels	Avg viewers	Avg channels	Followers gained
1	Fortnite	1,309,707,393 hours	1,077,180	67,544	149,509	10,419	69,099,730
2	League of Legends	1,082,528,013 hours	1,147,825	6,079	123,576	2,476	19,297,890
3	Dota 2	518,064,851 hours	749,471	1,601	59,139	651	5,402,765
4	Just Chatting	516,055,474 hours	234,098	2,724	58,910	817	16,064,577
5	Counter-Strike: Global Offensive	408,360,354 hours	833,440	3,173	46,616	1,119	10,508,051
6	Grand Theft Auto V	397,891,277 hours	304,053	1,955	45,421	661	10,629,719
7	World of Warcraft	330,520,627 hours	590,245	15,619	37,730	1,099	5,074,698
8	PLAYERUNKNOWN'S BATTLEGROUNDS	304,980,189 hours	579,861	3,330	34,815	1,368	9,358,679
9	Hearthstone	290,165,839 hours	278,075	1,932	33,123	223	2,492,962
10	Overwatch	281,524,941 hours	344,591	2,959	32,137	1,212	5,892,506
11	Apex Legends	246,341,146 hours	666,868	18,932	28,121	1,673	6,627,366
12	Call of Duty: Black Ops 4	203,159,515 hours	586,545	13,323	23,191	1,242	5,230,951
13	FIFA 19	136,281,358 hours	284,483	2,400	15,557	322	3,721,874
14	Tom Clancy's Rainbow Six: Siege	124,087,945 hours	223,099	2,486	14,165	1,034	4,858,644
15	Dead by Daylight	114,281,453 hours	146,848	1,490	13,045	611	2,494,747
16	IRL	113,561,463 hours	264,068	1,664	12,963	189	3,017,218
17	Minecraft	88,880,295 hours	209,184	2,097	10,146	539	3,999,154
18	Path of Exile	87,615,624 hours	115,737	3,008	10,001	254	791,616
19	Destiny 2	81,433,727 hours	181,929	8,097	9,296	671	1,558,110
20	Magic: The Gathering	74,246,897 hours	155,987	431	8,475	119	794,413
21	Old School RuneScape	65,570,453 hours	105,265	332	7,485	145	1,401,484
22	Music & Performing Arts	65,441,549 hours	50,673	475	7,470	288	1,537,526
23	StarCraft II	60,851,616 hours	148,897	170	6,946	92	756,645
24	Talk Shows & Podcasts	60,428,331 hours	346,483	609	6,898	90	978,106
25	Super Smash Bros. Ultimate	60,197,285 hours	226,029	3,619	6,871	124	1,386,771

Source: Twitch, Canaccord Genuity research

**Figure 58: Over the last 180 days, Fortnite and League of Legends took the top spots, GTA V rose in the ranks to beat out Dota 2**

Rank	Game	Watch time	Peak viewers	Peak channels	Avg viewers	Avg channels	Followers gained
1	Fortnite	583,686,706 hours	658,887	67,544	135,112	10,104	34,068,962
2	League of Legends	578,798,772 hours	816,163	6,079	133,981	2,755	10,051,407
3	Just Chatting	348,059,369 hours	234,098	2,724	80,569	1182	11,414,182
4	Grand Theft Auto V	324,002,337 hours	304,053	1,955	75,000	835	8,643,413
5	Dota 2	272,491,763 hours	444,825	1,601	63,076	688	2,916,187
6	Apex Legends	246,341,146 hours	666,868	18,932	57,023	3393	6,627,366
7	Counter-Strike: Global Offensive	213,551,479 hours	833,440	2,670	49,433	1,191	5,534,581
8	Overwatch	156,792,527 hours	289,347	2,784	36,294	1,128	2,598,703
9	World of Warcraft	147,247,609 hours	211,037	3,736	34,085	942	2,487,438
10	PLAYERUNKNOWN'S BATTLEGROUNDS	127,697,713 hours	134,191	2,470	29,559	1,244	3,997,113
11	Hearthstone	126,918,998 hours	278,075	1,572	29,379	205	1,061,429
12	FIFA 19	63,757,451 hours	284,352	1,193	14,758	353	1,790,556
13	Tom Clancy's Rainbow Six: Siege	62,055,039 hours	223,099	2,486	14,364	1087	2,474,879
14	Call of Duty: Black Ops 4	57,648,966 hours	141,895	4,593	13,344	1,259	1,811,161
15	Teamfight Tactics	57,134,214 hours	232,551	2,862	13,225	169	880,333
16	Minecraft	55,876,750 hours	209,184	2,097	12,934	701	2,785,133
17	Dead by Daylight	50,630,177 hours	61,337	1,329	11,719	578	1,072,351
18	Path of Exile	46,335,906 hours	112,232	2,968	10,725	280	418,634
19	Sekiro: Shadows Die Twice	41,599,022 hours	279,037	4,679	9,629	228	485,431
20	Magic: The Gathering	40,380,434 hours	155,987	431	9,347	130	472,658
21	Slots	34,836,158 hours	60,622	128	8,063	61	287,380
22	Auto Chess	34,758,072 hours	65,070	348	8,045	101	340,761
23	Old School RuneScape	34,394,851 hours	83,930	298	7,961	158	788,852
24	Music & Performing Arts	32,794,993 hours	41,355	475	7,591	321	939,798
25	StarCraft II	31,406,009 hours	69,828	166	7,269	92	317,975

Source: Company Twitch, Canaccord Genuity research

## Appendix 1: Private esports companies

Figure 59: Company profiles

VERTICAL	ORGANIZATION	FOUNDED	HEADQUARTERS
Esports Team	100 Thieves	2017	Los Angeles, CA
Esports Team	Alliance	2013	Gothenburg, SWE
Esports Team	aXiomatic (Team Liquid)	2015	Los Angeles, CA
Esports Team	Cloud9	2012	Los Angeles, CA
Esports Team	FaZe Clan	2010	Los Angeles, CA
Esports Team	NRG Esports	2015	Los Angeles, CA
Esports Team	Overactive Media	2017	Toronto, ON
Esports Team	Reciprocity	2017	Toronto, ON
Esports Team	Tiidal Gaming	2010	Toronto, ON
Ecosystem	Askott Entertainment	2014	Vancouver, BC
Ecosystem	Ateyo	2017	Los Angeles, CA
Ecosystem	Battlefy	2011	Vancouver, BC
Ecosystem	Beyond the Summit	2012	Covina, CA
Ecosystem	Cineplex	1999	Toronto, ON
Ecosystem	Code Red	2016	London, UK
Ecosystem	Discord	2012	San Francisco, CA
Ecosystem	ESG Law	2017	Seattle, WA
Ecosystem	FACEIT	2012	London, UK
Ecosystem	Freaks 4U Gaming	2011	Berlin, GER
Ecosystem	Gamekit	2013	Warsaw, POL
Ecosystem	Luckbox	2016	Douglas, Isle of Man
Ecosystem	Mobcrush	2014	Santa Monica, CA
Ecosystem	Night Media	2016	Dallas, TX
Ecosystem	PMML	2016	Toronto, ON
Ecosystem	Skillshot	2018	Atlanta, GA
Ecosystem	Skillz	2012	San Francisco, CA
Ecosystem	StarLadder	2001	Kyiv, UKR
Ecosystem	theScore	2012	Toronto, ON
Ecosystem	U.GG	2017	Austin, TX
Ecosystem	Unikrn	2014	Seattle, WA

Source: Canaccord Genuity research

# 100 Thieves

# Esports team

Figure 60: 100 Thieves overview



**Founded:** 2017  
**Headquarters:** Los Angeles, CA  
**Employees:** ~50

**Key Executives**

**Matthew “Nadeshot” Haag:** CEO & Founder

**John Robinson:** President & COO

**Drake:** Co-Owner

**Daniel Gilbert:** Co-Owner

**Scoter Braun:** Co-Owner

Source: LinkedIn, Company website

**Overview**

100 Thieves is a self-proclaimed “gaming lifestyle and esports organization at the intersection of competitive gaming, entertainment, and apparel” and was founded by former OpTic gaming CoD captain, Matthew “Nadeshot” Haag. As the well-capitalized new kids on the block, 100T has built some of the esports world’s most impressive teams. In its first season (2018) in the North American League Championship Series (NA LCS), the team managed to secure a second-place finish.

As a lifestyle brand focused organization, 100 Thieves has surrounded itself with influencers and pop culture superstars. A recent \$25M Series A funding round valued the company at a reported \$125M and was led by Canadian singer/songwriter Drake. It has since completed a Series B round for \$35M at an undisclosed valuation. The company also produces apparel, each of the 5 apparel drops to date sold out in less than 20 minutes.

Unlike other, more established and mature major organizations, 100 Thieves is still gaining its footing in terms of teams and sponsors. The organization currently has 4 professional teams and one academy team which play Apex Legends, Call of Duty, Fortnite, and League of Legends (and an LoL academy team). The organization also currently only has 6 major sponsors, Rocket Mortgages, Cash App, Redbull, StockX, the Cleveland Cavaliers, and Totino's.

Figure 61: A focus on lifestyle and culture has led to a perpetually sold out team store



Tri Color Hoodie  
\$99.99 Sold out



Geography Anorak  
\$149.99 Sold out



100 Thieves Dad Hat  
\$39.99 Sold out



Glitch Tee White  
\$39.99 Sold out

Source: 100 Thieves

## Alliance

## Esports team

Figure 62: Alliance overview



**Founded:** 2013

**Headquarters:** Gothenburg, SWE

**Employees:** 11 - 50

**Key Executives**

**Jonathan Berg:** Co-Owner

**Joakim Akterhall:** Co-Owner

**Kelly Ong Xiao Wei:** Chief Strategy Officer

Source: LinkedIn, Company website

### Overview

Alliance is a professional esports organization based out of Sweden. The organization was formed in 2013 and made quite the entrance to the esports scene, soon after winning the Dota 2 International 2013, the largest esports prize pool ever at the time. The team was led by Jonathan Berg, current co-owner of the organization.

In December 2016, the organization announced that it had become an independent, player-owned team. The company's mission is to compete across esports events and create esports experiences internationally. The player-owned structure is meant to embody the team's commitment to its players.

The team currently hosts rosters in DOTA 2, Super Smash Bros Melee, and PUBG. The company lists its sponsors on its website, including Razer, Monster Energy, GGBet, Twitch and Newzoo.

Figure 63: The International 2013 champions



Source: mxdwm.com

## aXiomatic

## Esports team

Figure 64: aXiomatic overview



**Founded:** 2015  
**Headquarters:** Los Angeles, CA  
**Employees:** 2-10

**Key Executives**

**Bruce Stein:** CEO & Co-founder  
**Peter Guber:** Co-executive Chair  
**Ted Leonsis:** Co-executive Chair  
**Bruce Karsh:** Co-executive Chair  
**Jeff Vinik:** Co-executive Chair

Source: LinkedIn, Company website

**Overview**

aXiomatic is a diversified investment company that partners with esports and gaming businesses. The company began operations in November 2015 with a mission to build a portfolio of dynamic company holdings in the esports and video gaming industry. aXiomatic’s leadership includes Co-Executive Chairmen Peter Guber, Ted Leonsis, Jeff Vinik and Bruce Karsh, who together represent a very strong team of sports, technology, entertainment and investment industry leaders. Through strategic partnerships, investments and acquisitions, the team connects esports groups with valuable resources including venues, technologies, media content, distribution partners and investment capital.

In September 2016, aXiomatic acquired a controlling interest in one of the world’s premier esports brands, Team Liquid, run by Co-CEOs Steven Arhancet and Victor Goossens. This acquisition gives aXiomatic an authentic perspective into the rapidly evolving esports industry and strengthens the team’s ambitions of creating new and rich experiences for audiences and athletes alike.

Team Liquid was founded in 2000 as a clan on the gaming platform Battle.net and has evolved into one of the leading international multigame esports teams, with training centers in Utrecht, The Netherlands, Sao Paulo, Brazil and Los Angeles, California. Team Liquid has over 65 athletes competing across 16 distinct games, including all major esports titles, such as DOTA 2, League of Legends, CS:GO, Fortnite, PUBG and more. Led by Co-CEOs Steve Arhancet and Victor Goossens, Team Liquid is one of the most successful esports teams in the Western market in terms of competitive achievement and fan engagement across multiple gaming titles. Recent achievements include a first-place finish at the DOTA 2 International 2017 and two consecutive first place finishes at League of Legends’ NA LCS Championships.

Figure 65: Team Liquid logo

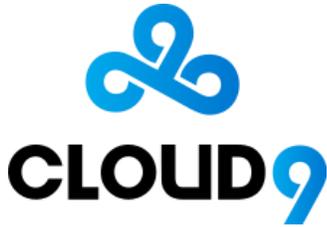


Source: The Esports Observer

# Cloud9

# Esports team

Figure 66: Cloud9 overview



**Founded:** 2012  
**Headquarters:** Los Angeles, CA  
**Employees:** ~70

**Key Executives**

**Jack Etienne:** CEO & Co-founder  
**Pauline Etienne:** COO & Co-founder

Source: LinkedIn, Company website

**Overview**

Cloud9 has its origins in the League of Legends professional circuit with its original team, Orbit Gaming making its debut in 2012. In 2013, the team was purchased by former Team SoloMid manager Jack Etienne for \$15,000. Jack has since managed to turn the organization into one of the most powerful in the world of esports with 13 professional teams. Forbes estimates that the organization is the most valuable in the world with an estimated enterprise value of nearly \$310M.

Given the size and prestige of the organization, it has been able to secure some of the largest sponsorships and brand deals. The organization itself is sponsored by Redbull, Puma, BMW, AT&T, Microsoft, HyperX, Omen, Secret Lab, and Twitch, with Puma creating team apparel. Individual teams have also secured major sponsorships with C9's CS:GO team partnering with the US Airforce.

Unlike some other teams which may focus on winning, analytics, and prestige or social media, influencers, and pop culture, Cloud9 has done both. They are a global force in the arena with some of the most winning teams including their League of Legends and CS:GO teams while also building a large social media following.

Figure 67: Cloud9 was the first North American team to win a CS:GO Major



Source: Cloud9

## FaZe Clan

## Esports team

Figure 68: FaZe Clan overview



**Founded:** 2010  
**Headquarters:** Los Angeles, CA  
**Employees:** 11-50

**Key Executives**

**Lee Trink:** CEO  
**Greg Selkoe:** President  
**Justin Kenna:** CFO

Source: Company reports, company website

### Overview

FaZe Clan is a nine-year-old organization that has assembled some of the highest profile gamers and content creators globally. The company is focused on recruiting top talent and building a brand around these players. FaZe works collaboratively with each of its players and content creators to maximize the player's earnings potential, leveraging proven strategies around unique social media feeds, live events, and sponsorship opportunities. The company is building out its management team to advance its scouting, analytics, and media reach.

While the company's objective is to expand its media reach, the company has found success in esports competitions placing among the top 20 all-time teams in terms of prize money earned. The company currently has ~30 players across six teams.

The company's revenue streams are diversified but largely relate to monetizing the team's social platforms, showcasing celebrity players, and merchandise. The company has signed high profile sponsorship deals in the past and has partnered with brands including Champion to launch new lines of merchandise.

Figure 69: Branding around team merchandise, with sponsors listed



Source: The Esports Observer

## NRG Esports

## Esports team

Figure 70: NRG overview



**Founded:** 2015  
**Headquarters:** Los Angeles, CA  
**Employees:** 2-10

**Key Executives**

**Andy Miller:** Founder and CEO  
**Brett Lautenbach:** President

Source: Company website

**Overview**

NRG is an esports organization based out of California with rosters of players across many different titles. Under the leadership of former Apple executive Andy Miller, the company’s goal is to grow NRG into a widely familiar brand at the intersection of gaming and internet lifestyle. The company has signed on several high-profile Twitch streamers and has a team house in LA where the team generates regular content.

The company’s investors and advisors include Shaquille O’Neal, Jennifer Lopez, and Tiesto. These stakeholders have wide reaching networks to help the company explore alternatives to engage its audiences.

The company has teams in the following games: Apex Legends, Clash Royale, Dragon Ball FighterZ, Fortnite, Counter-Strike: Global Offensive, Overwatch, Hearthstone, Rocket League and Smash Ultimate. The organization’s Overwatch team, the San Francisco Shock, is one of the top performing teams in the 2019 season.

Figure 71: Overwatch team crowned Stage 2 champions



Source: Company website

## OverActive Media

## Esports team

Figure 72: OverActive overview



**Founded:** 2017

**Headquarters:** Toronto, ON

**Employees:** 2-10 (LinkedIn)

**Key Executives**

**Chris Overholt:** President & CEO

**Sheldon Pollack:** Chairman

**Adam Adamou:** Co-Founder & Director

Source: LinkedIn, Company website

### Overview

OverActive Media Group's mission is to build an integrated esports company via esports team ownership, strategic partnerships and select investments. In 2018, OverActive acquired a controlling interest in an Overwatch League franchise for the City of Toronto and surrounding area. This is part of the 2019 expansion season, with competition expected to be hosted out of a Toronto-based venue starting in 2020. In addition to the OWL franchise, OverActive owns a UK-based LoL European Championship Series franchise.

OverActive has broadened its esports team ownership through the acquisition of Splyce in 2018. Splyce has a storied history with success in multiple competitions including Call of Duty, League of Legends and Starcraft II.

Figure 73: Logo and branding for new OWL team Toronto Defiant



Source: The Star

# Reciprocity

# Esports team

Figure 74: Reciprocity overview



**Founded:** 2017

**Headquarters:** Toronto, ON

**Employees:** 2-10 (LinkedIn)

**Key Executives:**

**Chad Larsson:** CEO & Director

**David Fawcett:** President & Director

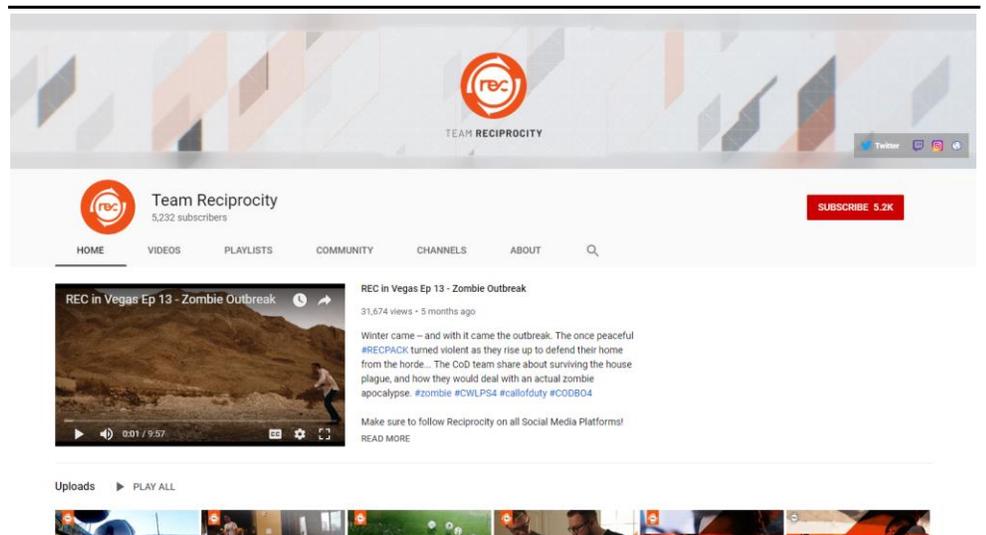
Source: CrunchBase, Company website

### Overview

Reciprocity's mission is to grow its brand value as a team owner and media asset in the esports space. The company has secured eight esports teams – Halo, PUBG, Rainbow Six, Call of Duty, StarCraft II, Street Fighter V, Fortnite and Gears of War – which helps to broaden the marketing initiatives and connect with the target audience.

As part of its brand development and vision to build an overarching marketing vehicle, Reciprocity produces premium episodic content centered around its players and to date has published 14 episodes. The company's founder, Chad Larsson, has deep relationships with both talent and game publishers stemming from more than ten years in the industry. This has enabled the company to acquire and form top-ranked global teams.

Figure 75: Team Reciprocity Youtube page



Source: YouTube

## Tiidal Gaming

## Esports team

Figure 76: Tiidal overview



**Founded:** 2010  
**Headquarters:** Toronto, ON  
**Employees:** 2-10

**Key Executives**

**Charlie Watson:** CEO  
**David Brisson:** President  
**Kyle Vognsen:** General Manager, Lazarus

Source: LinkedIn, Company website

**Overview**

Tiidal is a professional esports organization with its roots dating back to 2010, the founding of the original competitive team called SetToDestroyX. Now called Lazarus Esports, the team competes across several different titles competitively with strong representation in its Madden title and several female rosters. The company is focused on broadening out its esports and entertainment platforms.

CEO Charlie Watson, the founder of SetToDestroyX, has had almost a decade of experience managing and developing one of Canada’s first esports brands. According to the company, Charlie and the brand have over 275 article and national television appearances. Charlie has acted as a consultant to several other esports operations demonstrating his expertise and experience in the field.

The company’s team, Lazarus Esports, has ~40 pro players across 10 countries and 10 professional teams (as at the end of 2018). Other 2018 notables include 32 tournament wins and 59 podium finishes.

Figure 77: Lazarus team logo



Source: Company website

# Askott Entertainment

# Ecosystem

Figure 78: Askott overview



**Founded:** 2014  
**Headquarters:** Vancouver, BC  
**Employees:** 10

**Key Executives:**  
**Scott Burton:** CEO  
**Jeremy Hutchings:** CTO  
**Mathew Lee:** CFO

Source: Askott Entertainment

## Overview

Askott Entertainment provides a full suite of software solutions for the regulated online gaming space with a focus on esports. The company website highlights previous consulting engagements assisting clients with licensing, hosting, payments, security, mobile and complete product development. Some of the company’s investors include OverActive Media, Bitkraft Holdings, Shaked Ventures, and the Vancouver Founder Fund.

In addition to licensing its esports betting platform to gaming operators, Askott has its own brands. In 2014 the company launched the first esports daily fantasy site, esports pools.com, registering over 200,000 users in 160+ countries. Since then it has obtained multiple gaming licenses and has offices in Vancouver, Isle of Man, Malta, Curacao and Cyprus. Its most recent real money-betting site, ESP.bet, was the first Isle of Man licensed esports company to receive a license for crypto currency betting and virtual goods betting.

Figure 79: ESP website – in-play esports betting



Source: Esports pools.com

Ateyo

Ecosystem

Figure 80: Ateyo overview

# ATEYO

**Founded:** 2017  
**Headquarters:** Los Angeles, CA  
**Employees:** 2-10

**Key Executives:**  
**Rachel Feinberg:** Co-founder/ CEO  
**Breanne Harrison-Pollock:** Co-founder/  
CCO (Chief Creative Officer)

Source: Ateyo

## Overview

Ateyo creates high quality, comfortable, technical apparel designed specifically for esports and gaming. Founded by designers-turned-gamers, Rachel and Breanne have built the business at the intersection of esports and gaming apparel. Ateyo has authentically built trust and fans through high quality product, shareable content, and exceptional customer experience.

Ateyo strives for quality in all aspects; product, content, and community. All products are designed and manufactured from the thread up in Downtown Los Angeles. Each product is carefully created with innovative technical details that make gaming as comfortable as possible. The company's videos (featuring their products) have reached the top of numerous reddit threads, been retweeted thousands of times, and have built a strong fanbase.

Figure 81: Iconic campaigns and clothing designed for gaming



Source: Ateyo

# Battlefy

# Ecosystem

Figure 82: Battlefy overview



**Founded:** 2011  
**Headquarters:** Vancouver, Canada  
**Employees:** ~60

**Key Executives:**  
**Jason Xu:** Co-founder & CEO  
**Justin Wong:** Co-founder & CTO

Sources: LinkedIn, Battlefy

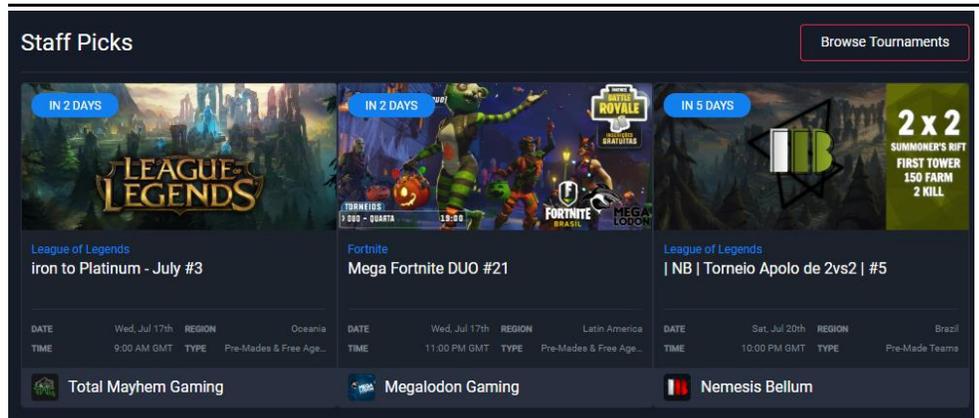
### Overview

Battlefy is a full-service tournament hosting a management platform open to anyone and everyone. Beginning in 2013, the company has allowed gamers around the world to create and host over 100k tournaments ranging from amateurs just having fun, to collegiate and professional tournaments. Most often however, Battlefy is used as a discovery platform for semi-pro players looking to go pro. The tournaments hosted by major organizations and leagues can attract a large number of players with some of the most elite amateurs rising to the top.

To enable tournament creation, Battlefy has direct integrations with some of the most popular games including League of Legends, Hearthstone, and Dota 2, it also offers support for more than 40k additional titles. These integrations allow for timestamped logs of every event within a tournament, match and lobby making, check-ins (to avoid no-shows), bracket making, email distribution, and a customized tournament or league home page.

It has worked with the who's who of esports including the largest brands, developers, pro leagues, and teams. These include Coca-Cola, Amazon, Budweiser, Riot, Blizzard, EA, Twitch, College League of Legends, Overwatch, ESL, Manchester City, Westham United, Fnatic, and Dignitas.

Figure 83: A selection of upcoming tournaments hosted by Battlefy



Source: Battlefy

## Beyond the Summit

## Ecosystem

Figure 84: Beyond the Summit overview



**Founded:** 2012  
**Headquarters:** Covina, CA  
**Employees:** 25-50

**Key Executives**

**David Parker:** Founder  
**David Gorman:** Managing Partner  
**Michelle Cheng:** VP Sales/Marketing  
**Ken Chen:** Creative Director  
**Daniel Najarian:** Content Director

Sources: LinkedIn, Beyond the Summit

**Overview**

Beyond the Summit (“BTS”) is an esports-focused media company that specializes in content-creation, design, and live production. The company’s Twitch channel is the third-most-viewed English channel of all time. The company has a unique style that fuses top-level competition with spirited fun while staying true to the heart of the community.

Its flagship product is the Summit Series, known for its signature blend of high level competition with casual player commentary couches and memorable content skits. The personality-focused series began in DOTA 2 and has since expanded to Smash, Counter-Strike, and the Fighting Game Community.

Since its founding in 2012, BTS has grown from a two-person DOTA casting project to a full-service media company with nearly 30 full-time employees across offices in Europe and North America. For the last seven years, BTS has consistently been one of Twitch’s most viewed channels, boasting over 16B lifetime minutes watched and a peak of nearly 4M monthly unique visitors.

BTS broadcasts are distributed in over 110 countries via digital channels and linear TV, and the company boasts over 5M total followers across various social media platforms. BTS has worked with many blue-chip brands in the past, including Twitch, Red Bull, Valve, Sennheiser, Monster, Blizzard, and Lenovo.

BTS works closely with brands, developers, and tournament organizers globally. The company is diversified within the esports sector, with established verticals as a production company, creative agency, broadcast studio, and original content house. In 2019, BTS plans to run nearly 20 live events for 7+ titles, including its landmark 25th Summit event.

Figure 85: Iconic moments from The Summit, a video series published by Beyond the Summit



Source: Beyond the Summit

# Cineplex

# Ecosystem

Figure 86: Cineplex overview



**Founded:** 1999  
**Headquarters:** Toronto, ON  
**Employees:** ~13,000

**Key Executives:**  
**Ellis Jacob:** President & CEO  
**Gord Nelson:** CFO  
**Dan McGrath:** COO

Source: Company website, company filings

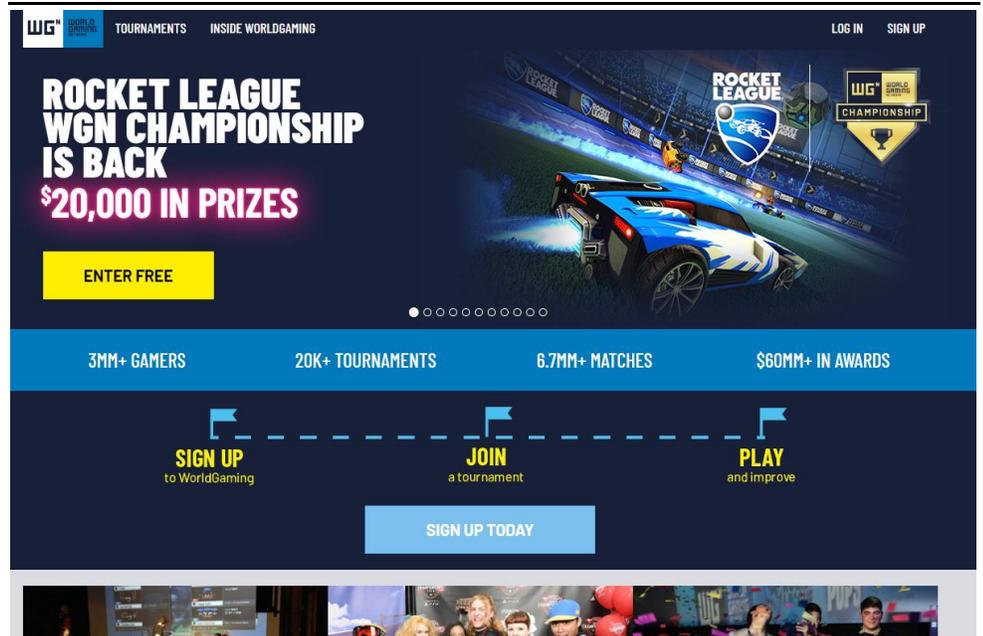
## Overview

### Major public player taking notice of the esports scene

Cineplex (CGX : TSX : C\$23.56; | BUY, Aravinda Galappathige) is a multi-faceted entertainment company that operates the largest theatre network in Canada. Cineplex's entry into the esports space occurred with the acquisition of an 80% stake in World Gaming in September 2015 for \$10M. The company went on to acquire the remaining 20% in Q2/17. There are some natural synergies for Cineplex in this vertical considering its predominantly younger demo customer base, the SCENE card (now over 9 million members) and the ability to use the theatres during lower occupancy timeframes. Recall that average theatre occupancy is below 15%.

At this stage, the business model is predominantly through a sponsorship model. Cineplex has signed on Sony Computer Entertainment Canada as the lead sponsor for the key national video tournaments. Typically, these tournaments start online and graduate to the theatre in the later stages. Thus far, tournaments for brands like Call of Duty: WWII, Street Fighter V and Uncharted 4 have been hosted by Cineplex. Additionally, Cineplex now utilizes its REC Room to host a number of tournaments including those arising from its partnership with the NFL.

Figure 87: World Gaming home page



Source: Company website

## Code Red

## Ecosystem

Figure 88: Code Red overview



### Overview

Code Red is a global multifaceted, full service esports agency that is involved in both every step of the event management process as well as athlete representation. Founded in 2016, the company has been involved with some of the largest events in the space including Blizzcon, Quakecon, and Dota 2's The International.

Within its event management business, Code Red has been involved with some of the world's largest and most watched esports tournaments. Its full-service capabilities allow it to assist in every step of the process from simple consulting and workshops, to running the entire event. Some of the services it provides are tournament structuring (how to actually structure the event in terms of such as qualifiers, regional qualifiers, brackets, ladders and leagues and how to cope with tie-breaks, dual tournament formats, overtime rules, league systems and ranking points), in-game spectating (working with publishers to better design user interfaces for streaming), broadcasting consulting, and talent sourcing (for analysts and commentators).

Further expanding on the talent sourcing aspect of the business, Code Red operates an esports talent agency for both established professional athletes and serious amateur players looking to go pro. This aspect of the business will become more critical over time as the industry matures and becomes ever more professionalized. Code Red's talent agency is able to negotiate team contracts on behalf of the athlete, handle contract disputes, and manage team transfers and trading. Given its background in marketing, it also is able to consult athletes on brand deals, endorsements, and sponsorships. The company currently represents 7 athletes across two games, PUBG and CS:GO.

**Founded:** 2016

**Headquarters:** London, UK

**Employees:** 2-10

#### Key Executives:

**Paul Chaloner:** Co-founder & Managing Director

**Ben Woodward:** Co-founder & Esports Consultant/Agent

**Luke Cotton:** COO

Sources: LinkedIn, Code Red

Figure 89: A scene from a tournament run by Code Red



Source: Code Red

# Discord

# Ecosystem

Figure 90: Discord overview



### Overview

Discord is a proprietary VoIP application that was initially designed for the gaming community that specializes in text, image, video, and audio communication. The company was born out of necessity for the gaming industry after the founders realized that traditional game chat applications were either too complicated or had known security flaws that could impact online gaming. Since its launch, Discord has exploded in popularity. At present, the company boasts 250M unique users, 15M daily active players, 6.25M peak concurrent users, and over 315M messages sent per day. The company has also raised around \$200M to date and was valued at \$2.05B as of December 2018.

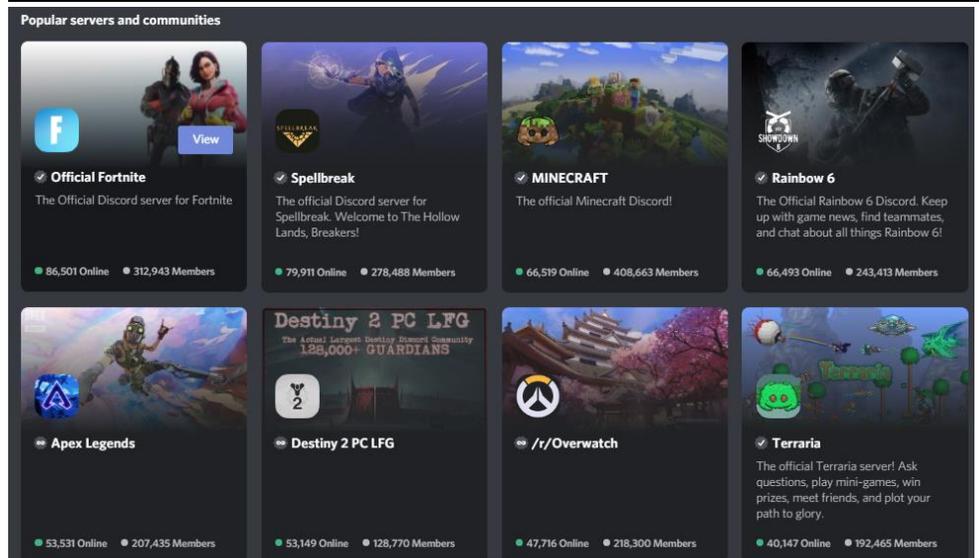
**Founded:** 2012  
**Headquarters:** San Francisco, CA  
**Employees:** ~350

**Key Executives:**  
**Jason Citron:** Founder & CEO  
**Stanislav Vishnevskiy:** CTO  
**Luke Cotton:** COO

Sources: LinkedIn, Discord

While almost all console games come with a voice chat or team speak function built in, almost no PC games allow for communication beyond text chat. Discord addresses this problem. Through both desktop applications (for all major operating systems) as well as within the browser, players are able to join “servers” or communities for the games they play. They are then able to add individual players and are able to communicate both during and outside of the games and matches they are in. While this tool is valuable in casual gaming, it is often used in local esports tournaments and LAN parties as a means for the players to communicate with each other.

Figure 91: Discord's server list includes some of the most popular games



Source: Discord

ESG Law

Ecosystem

Figure 92: ESG Law overview



**Founded:** 2017  
**Headquarters:** Seattle, WA  
**Employees:** 2-10

**Key Executives:**  
**Bryce Blum:** Founding Partner

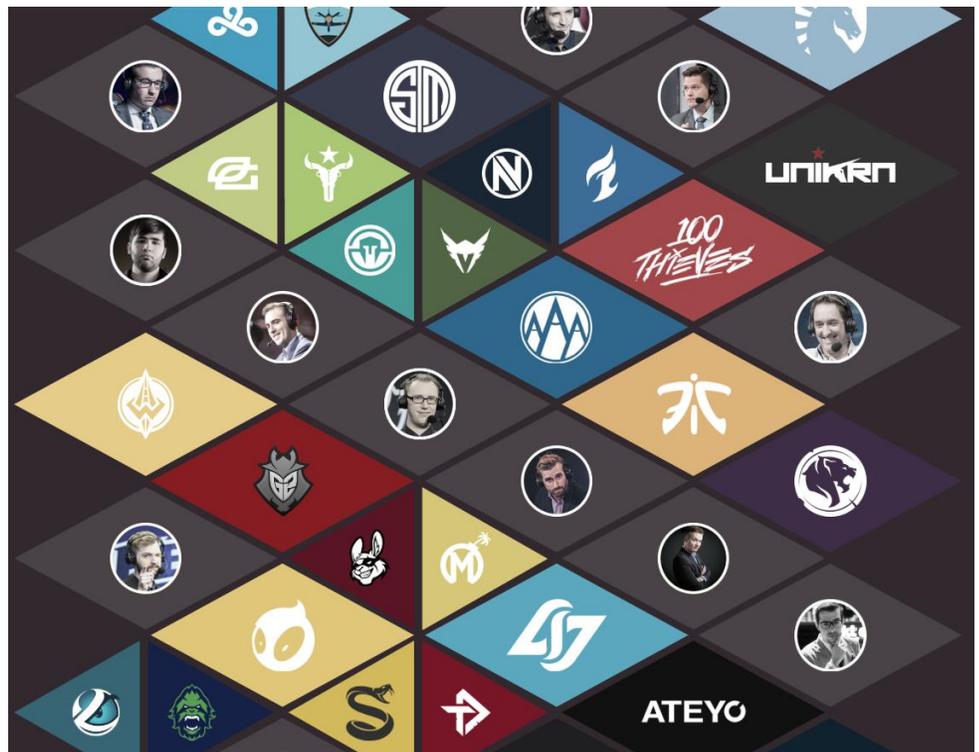
Source: PMML

**Overview**

ESG Law, or Electronic Sports & Gaming Law, is an esports-focused law firm with an impressive track record serving teams, talents, and institutions. Founded by Bryce Blum, a former ESPN contributor and EVP of Catalyst Sports & Media, the team has grown since its inception in 2017. In the words of Mr. Blum, one of the most exciting parts of the job is that the company is “building this airplane while it’s in the air”, with reference to the extremely dynamic and rapidly evolving esports sector.

Mr. Blum leverages his personal experience in the sector and working with clients to form relationships that extend beyond the typical client-attorney relationship. Mr. Blum and his team are active in the space and engaged in the community, which offers insights into the broader developments in the ecosystem.

Figure 93: Impressive list of previous clients listed on company website



Source: Company website

# FACEIT

# Ecosystem

Figure 94: FACEIT overview



**Founded:** 2012

**Headquarters:** London, UK

**Employees:** 51-200

**Key Executives**

**Damian Sikora:** Co-Founder and CEO

**Bartek Jedrychowski:** Co-Founder and Managing Director

Sources: LinkedIn, Company website

**Overview**

FACEIT is an independent competitive gaming platform that hosts online PvP games and tournaments. The platform allows players to participate in tournaments for in-game and real-world prizes through automated management and match-making technology. For developers, the company’s technology allows game creators to easily integrate user friendly matchmaking and tournaments into their titles to allow online competitive play at all skill levels. The company closed its most recent funding round in 2016, raising \$15M from Anthos Capital, Index Ventures, and United Ventures.

The company offers many neat features for participants which help to engage the 15M+ gamer community. Players can participate in tournaments but are also able to engage in online chat where they can make friends through the platform. The company offers FACEIT points that can be earned in gameplay and redeemed through the company’s online store. As well, there is a leaderboard where users are able to follow professional players and see how they stack up against their friend group.

The company has announced championship series in partnership with CS:GO which have helped to build scale and credibility for the online platform. The FACEIT Major CS:GO tournament in London in 2018 hosted a prize pool of US\$1M, the first Major to have been hosted in the UK.

Figure 95: FACEIT Major hosted in the UK in 2018



Source: FACEIT

## Freaks 4U Gaming

## Ecosystem

Figure 96: Freaks 4U Gaming overview



**Founded:** 2011  
**Headquarters:** Berlin, GR  
**Employees:** 170

**Key Executives**

**Michael Haenisch:** CEO  
**Jan-Hendrik Heuschkel:** VP of Marketing Communication

Sources: LinkedIn, Company website

**Overview**

Founded as a marketing agency in 2002, Freaks 4U spun out its gaming division in 2011 remaining under the Freaks 4U brand name. The company has since grown to 150 employees across Germany, France, Serbia, Taiwan, and the US.

Freaks 4U is a full-service marketing and communications agency and provides services including brand marketing, brand consulting, social media and community management, editorial, event management and logistics, as well as creative services including media production. To date the company has handled over 3,000 projects, 200 events, 1,500 tournaments, and paid out EUR1.7M in prize money.

In terms of agency services, the company has a vast network of brand partners which it uses to forge connections with gamers. It can advise throughout the entire process from introduction, to consultation, to execution.

On the production side, Freaks 4U offers a full suite of TV production services. Using its 4,300 square foot production studio as well as the live tournaments it operates, to produce content for both television and online streaming.

Freaks 4U also owns and operates a number of esports online communities that have 57K monthly active website users and generates 17M monthly page impressions. These communities include 99Damage – Germany’s largest CS:GO community, Summoner’s Inn – Germany’s largest LoL community and only licensed broadcaster of related tournaments, and joinDOTA – one of the largest Dota communities in the world which hosts and broadcasts tournaments, amongst others.

Figure 97: A look inside the Freaks 4U production studio



Source: Company website

# Gamekit

# Ecosystem

Figure 98: Gamekit overview



**Founded:** 2013  
**Headquarters:** Warsaw, POL  
**Employees:** 11-50

**Key Executives**  
**Damian Sikora:** Co-Founder and CEO  
**Bartek Jedrychowski:** Co-Founder and Managing Director

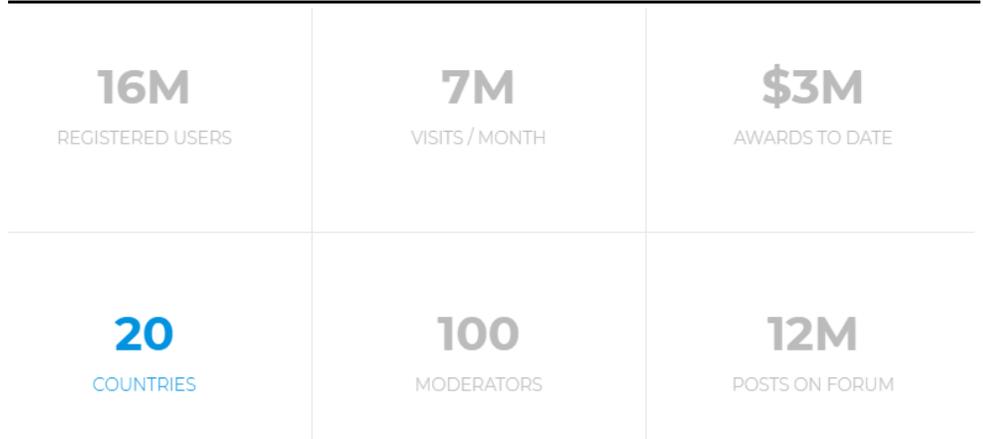
Sources: LinkedIn, Company website

### Overview

Gamekit, based out of Poland, is an online gaming reward platform which gives gamers gift cards and discounts for playing games and achieving win-conditions. According to the company website, the experience for the user is as simple as signing up, collecting points, and receiving rewards. In this way, the in-game contents drive incremental engagement presenting an opportunity for brands looking for higher value advertising opportunities. The company lists 16M registered users, \$3M awards to date and operations in 20 countries.

The company’s marketing tools connect brands with the global platform of gamers. The company maintains detailed statistics on its website to help brands identify the best opportunities for their promotions. Similar to the broader esports demographics, the company reports on its website that the age of their audience is 13-26 years of age, on average, with 81% of participants male.

Figure 99: Impressive statistics on company website



Source: Company website

# Luckbox

# Ecosystem

Figure 100: Luckbox overview



**Founded:** 2016  
**Headquarters:** Douglas, Isle of Man  
**Employees:** 11-50

**Key Executives**

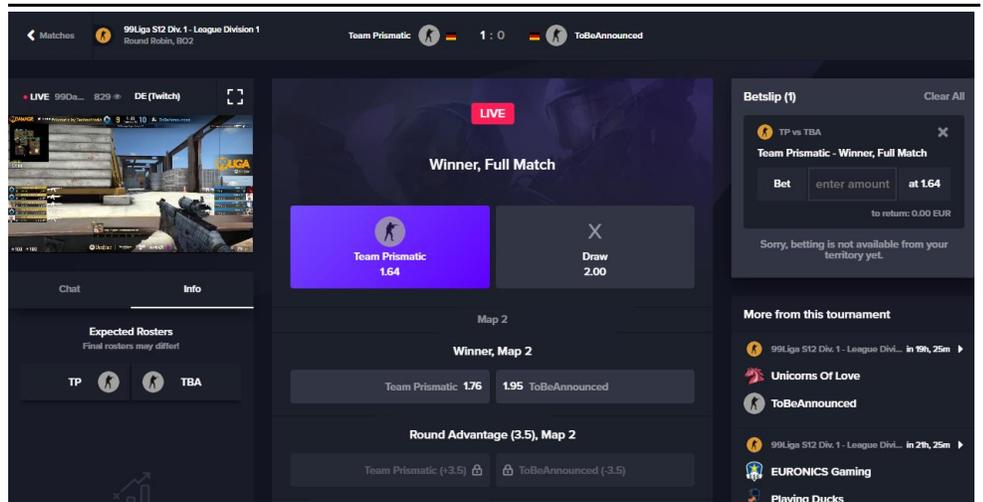
**Lars Lien** – CEO  
**Boris Mihov** – CPO  
**Sujoy Roy** – Director of Esports  
Sources: LinkedIn, Company website

### Overview

Founded by two former PokerStars colleagues, Luckbox is a fully licensed and registered (under the Online Gambling Regulation Act, OGRA) esports betting platform that was purpose built for the industry. While founded in 2016, the company first completed a number of focus groups and tests before launching to real money players in May of 2019 on a rolling basis.

The company offers betting on eleven of the worlds largest of esports, including CS:GO, League of Legends, Dota 2, Overwatch, and Hearthstone. The platform is easy to use and intuitive allowing players to watch the game, spreads, and statistics all while placing bets.

Figure 101: An example of a live match on Luckbox



Source: Company website

# Mobcrush

# Ecosystem

Figure 102: Mobcrush overview



### Overview

Mobcrush is an online streaming platform designed for gamers to broadcast their content. The company home page, pictured below, includes a very similar set up and feel to familiar Twitch and YouTube Gaming feeds that currently dominate the landscape. The company was founded in 2014 and has since raised \$35.9M in venture funding from investors like Evolution Media, BAM Ventures, and others. The team has grown to 30+ employees.

The company's app is available on all platforms (Android, iOS, etc) and is becoming increasingly easier for streamers to configure. The app allows for unified chat across all platforms, camera options, and automated stream quality. As well, content creators have the opportunity to select which advertisers to work with. The company pays its content creators anywhere from \$15-\$2,500 an hour depending on the level of engagement across viewers and relevance to advertisers.

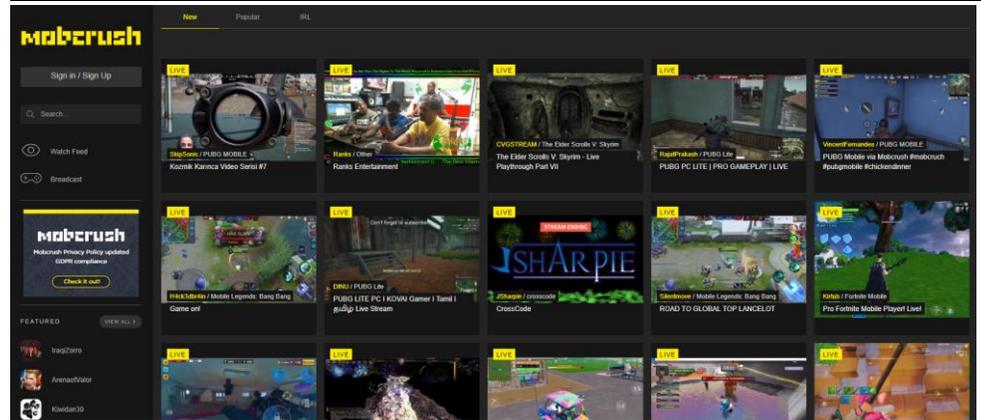
Part of Mobcrush's unique value prop for streamers, as explained by CEO Mike Wann, is that it allows creators to broadcast across multiple social platforms at once. The company is finding that streamers are creating content outside of gaming to capitalize on the company's reach and reach across various media platforms.

**Founded:** 2014  
**Headquarters:** Santa Monica, CA  
**Employees:** 11-50

**Key Executives**  
**Mike Wann:** CEO  
**Nina Kammer:** Head of Sales

Sources: LinkedIn, Company website

Figure 103: Company home page



Source: Company website

## Night Media

## Ecosystem

Figure 104: Night Media overview



**Founded:** 2016

**Headquarters:** Dallas, TX

**Employees:** 2-10

**Key Executives:**

**Reed Duchscher** – President

**Nick Brotman** – Influence Manager

Sources: LinkedIn, Night Media

### Overview

Night Media is a boutique full-service digital marketing agency specializing in esports and social media influencer talent. The company is correctly capitalizing on the recent trend towards smaller, more specialized boutique agencies. In a time where giants like Machinima are failing (Machinima was a MCN, multi-channel network), Night Media is growing.

The company's core business is matching its signed talent with advertisers and sponsors. It offers a more personalized and targeted approach in comparison to its larger peers and has a proven track record of high ROI partnerships that benefit all parties involved.

2019 is shaping up to be a positive year for Night Media following its January signing of YouTube star MrBeast. MrBeast is one of the fastest growing channels on the platform. At signing, he had around 14M subscribers, at present he has nearly 22M and is adding subscribers at a rate of more than 1M per month.

Figure 105: Reed Duchscher (right) signed MrBeast (left) to Night Media in January of 2019



Source: Night Media

PMML Corp.

Ecosystem

Figure 106: PMML Corp. overview



**Founded:** 2016  
**Headquarters:** Toronto, ON  
**Employees:** 30-50

**Key Executives:**  
**Steven Salz:** CEO  
**Kejda Qorri:** CFO  
**Ryan White:** CTO

Source: PMML

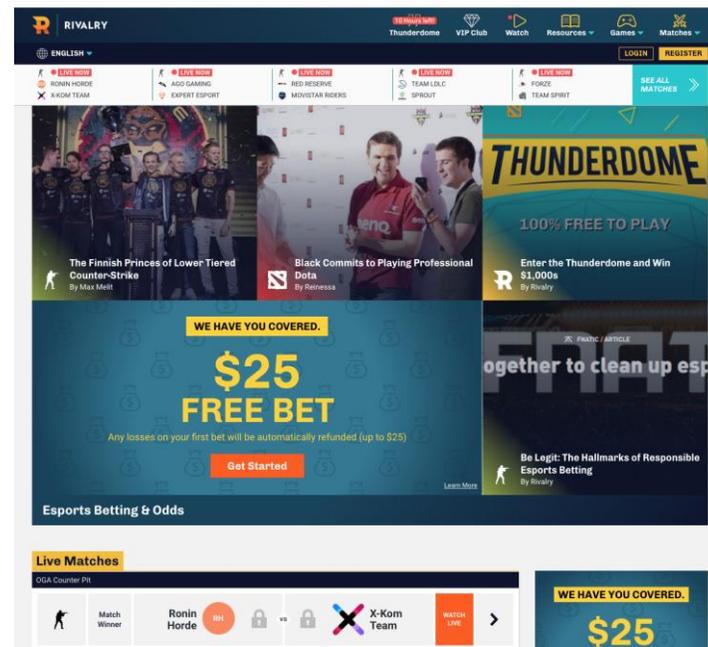
**Overview**

PMML Corp. is an owner-operator and investor dedicated to esports. PMML’s core business is the wholly owned Rivalry brand, an esports betting website with notable partnerships and sponsorship agreements in the esports ecosystem.

As one of the first pure plays licensed by the Isle of Man, the company looks to establish a first-mover advantage in the online betting space. The monetization strategy works like any online gambling site: by taking a spread on betting lines, with margins in esports of 8-10%.

PMML also has investments in peripheral esports businesses along with a 20% stake in GG Group, an affiliated company focused on building esports media assets (content, and an esports org). The GG Group affiliation helps to keep the company’s broader media initiatives distinct from PMML’s core gambling assets.

Figure 107: Company website



Source: Rivalry.gg

## Skillshot

## Ecosystem

Figure 108: Skillshot overview

**Skillshot**

**Founded:** 2018

**Headquarters:** Atlanta, GA

**Employees:** 45

**Key Executives**

**Todd Harris:** President & COO

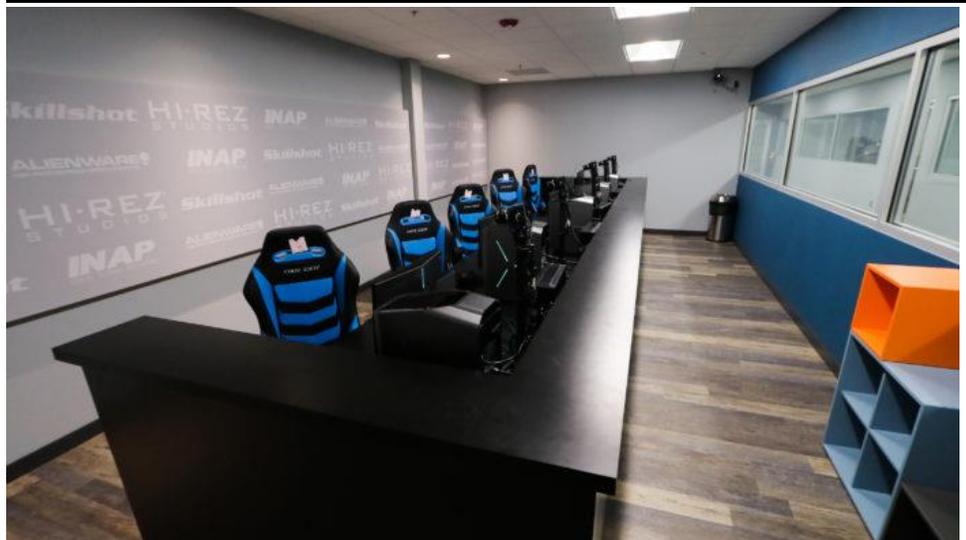
Sources: LinkedIn, Company website

**Overview**

Skillshot Media, a subsidiary of Hi-Rez Studios, is a full service online and offline esports tournament production company. Beyond just tournament organization, the company offers a full community management solution through live streaming, broadcasting, and proprietary content creation.

To date, Skillshot has hosted thousands of tournaments ranging from grass roots local competitions, to global professional tournaments. As a result of these events, the company has paid out millions in prize winnings and has served more than one billion video views. Currently, Skillshot works primarily with Hi-Rez produced games including Smite and Paladins, but has also run tournaments for Bungie's Halo.

Figure 109: A look inside Skillshot's 16,000 square foot production studio



Source: Company website

# Skillz

# Ecosystem

Figure 110: Skillz overview



**Founded:** 2012  
**Headquarters:** San Francisco, CA  
**Employees:** ~200

**Key Executives:**  
**Andrew Paradise:** CEO  
**Casey Chafkin:** COO  
**Craig Churchill:** CRO

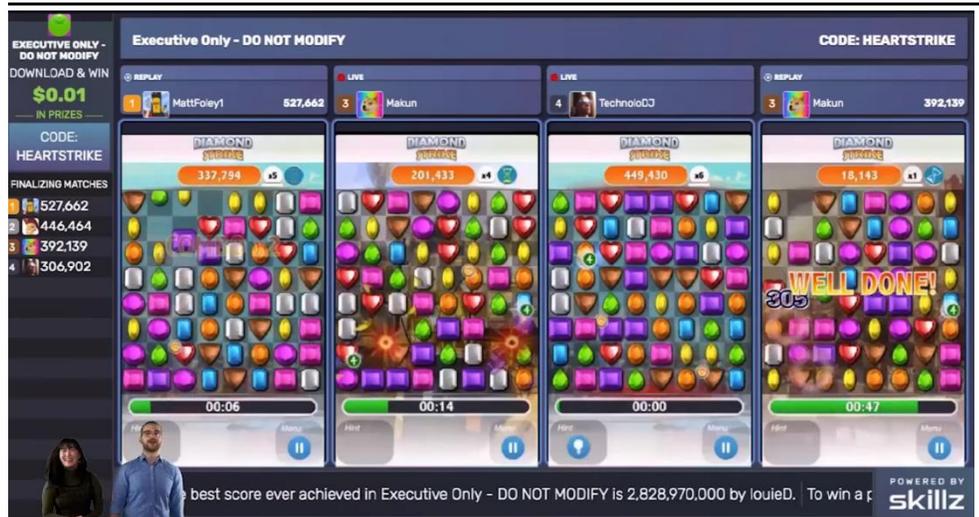
Sources: LinkedIn, Skillz

## Overview

Skillz is a software developer for the 2.6B player strong global mobile video games space. It specializes in developing turnkey solutions that developers are able to drop into their mobile applications. To date the company has partnered with more than 13,000 developers and hosted over 800M tournaments for 18M players around the world.

The core product is able to turn any regular mobile game into a competitive esports which is capable of being broadcast to streaming partners such as Twitch and YouTube. It is able to accomplish this by integrating its code into the app in order to manage end-to-end tournament administration, player matchmaking, anti-cheating mechanisms, customer support, and loyalty programs.

Figure 111: Skillz Diamond Strike (mobile game) live match



Source: Skillz

## StarLadder

## Ecosystem

Figure 112: StarLadder overview



**Founded:** 2001  
**Headquarters:** Kyiv, UKR  
**Employees:** 101-200

**Key Executives**

**Roman Ramontsov:** Founder and CEO  
**Sergey Bidzan:** Product Manager

Sources: LinkedIn, Company website

### Overview

Based out of the Ukraine, StarLadder has been hosting proprietary esports tournaments for over a decade. As well, the company handles event organization, studio and video production, and live streaming. The company's 100+ staff consist of former professional players, event organizers and broadcasters, marketers, and media experts.

The company's range of solutions for live entertainment include graphic design, game integration, and broadcast in over 10 different languages. At top tier tournaments, the company has been responsible for the design and set up, light and audio, and IT for game integrations. Currently, StarLadder leads leagues in DOTA 2, CS:GO, League of Legends, among other titles.

Figure 113: StarLadder to host first Counter-Strike major competition in September 2019



Source: Company website

theScore

Ecosystem

Figure 114: theScore overview



**Founded:** 2012  
**Headquarters:** Toronto, ON  
**Employees:** 101-500

**Key Executives:**  
**John Levy:** CEO & Chairman  
**Benjie Levy:** President & COO

Source: Company website, company filings

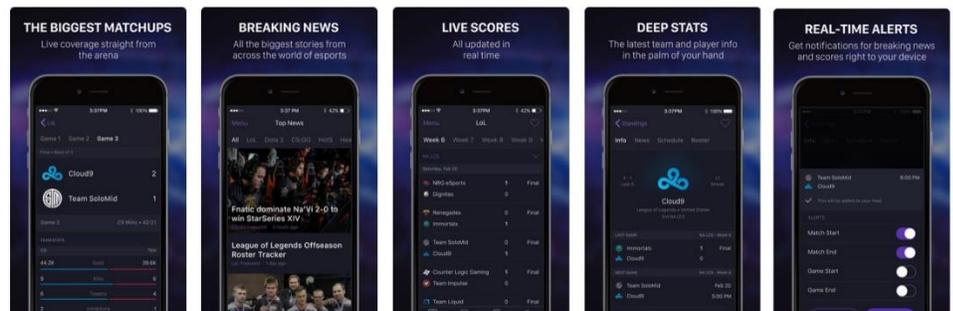
**Overview**

theScore Inc. (SCR-TSXV | Not rated) is a diverse digital media company best known for its mobile applications theScore and theScore Esports. According to the company’s F2018 filing, the core mobile app attracted ~4M monthly active users through the year, predominantly based in North America (~90%).

theScore has a dedicated esports offering where the company generates content which reaches over 15M viewers monthly. theScore esports application provides breaking news, live scores, stats and push notifications and coverage of multiple games. In the past year, theScore esports has expanded its focus on original video content, utilizing its in-house video production team, delivering original features, interviews and event coverage. The company has received several awards including the 2016 “Best esports Coverage Website” against notable competitors like Yahoo (ceased in 2017 when it was acquired by Verizon), Turner Sports and ESPN, in the inaugural Esports Industry Awards, which were hosted in London, England.

The company produces 6-8 new videos per week across 10 different product categories. These categories include Esports shorts, Top 10’s, and other niche groups of content that attract repeated viewers. In line with the broader esports market, theScore notes that the company’s esports demographic is 43% aged 18-24 years old and 55% of the user base is mobile.

Figure 115: App preview



Source: Company reports

U.GG

Ecosystem

Figure 116: U.GG overview



**Founded:** 2017  
**Headquarters:** Austin, TX  
**Employees:** 2-10

**Key Executives**  
**Shinggo Lu:** CEO and Co-Founder  
**Alan Liang:** Co-Founder  
**Peter Ro:** CTO

Sources: LinkedIn, Company website

**Overview**

U.GG is a platform that aggregates video game stats and helps players to improve their competitive abilities. The detailed League of Legends stats on the company website are updated within one hour of every patch, and include common statistics like win rates, counters, and pointers on other in-game strategies. According to Crunchbase, the company’s platform specializes in providing educational video tutorials featuring the world’s elite players as well as statistical analysis on tournaments.

In recent developments, Riot Games announced that it has added U.GG as a partner as part of its LCS segment ‘This or That’. U.GG will provide the organization with statistics and data visualization services, providing some strong exposure for the brand and a testament to the company’s advanced statistical records and visualization capabilities. The Head of Esports Partnerships and Business Development for North America at Riot Games commented that “From summoner profiles to champion builds and win-rates, U.GG offers comprehensive League of Legends statistics and data visualization service for every level of player including our most knowledgeable experts like our LCS shoutcasters. These powerful data and tools will be used to power a discussion slide during each weekly episode, allowing our hosts to explore additional topics and fuel new conversations as part of one of our most popular LCS shows.”

Figure 117: Company web site featuring detailed player statistics



Source: Company website

Unikrn

Ecosystem

Figure 118: Unikrn overview



**Founded:** 2014  
**Headquarters:** Seattle, WA  
**Employees:** 11-50

**Key Executives**

**Rahul Sood:** Founder and CEO  
**Andrew Vouris:** COO  
**Karl Flores:** Executive Director

Sources: LinkedIn, Company website, Bloomberg

**Overview**

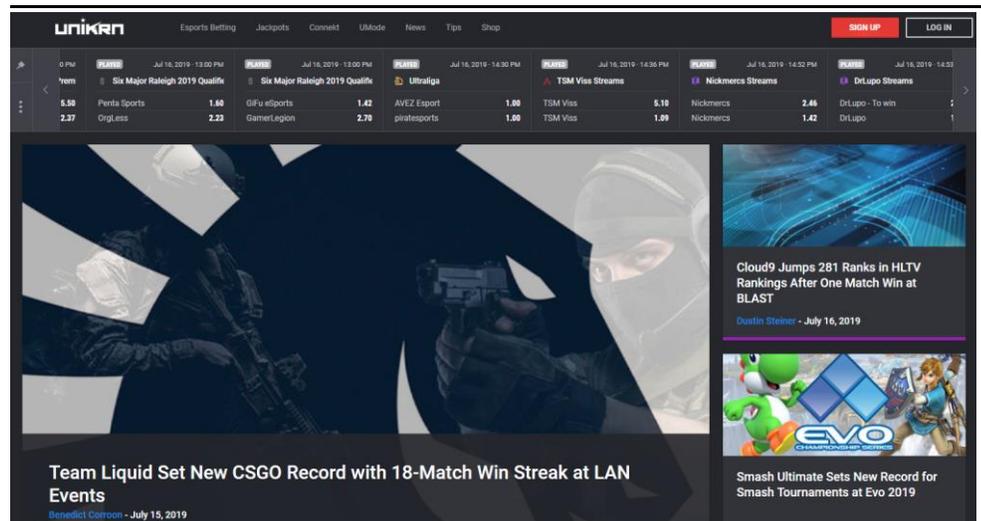
Unikrn is an online betting platform focused on the esports sector. The company offers real money and token-based wagering on esports competitions. The company received its Isle of Man license in 2018, allowing the company to operate online esports gambling within countries that allow legalize gambling, including the US, parts of Europe, and other geographies globally.

The company offers Unikrn premium accounts that grant members free rewards for gaming, deeper access to insights, premium journalism and gaming guides. Members are eligible for special betting options as well as giveaways on the website.

The company issued Unikrn tokens on the Ethereum blockchain in 2018. This enables users to buy items on the company’s Unikrn Marketplace as well as enter raffles on the website to win prizes.

Unikrn has been active beyond the betting platform, raising \$10M from high profile investors including Mark Cuban and Ashton Kutcher. The company has deployed some of this capital into investments in the ecosystem, including esports teams and technologies. In 2017, the company announced a partnership with MGM Resorts International to host events in Las Vegas.

Figure 119: Company home page with betting lines across the top panel



Source: Company website

## Appendix 2: Public company valuation

Figure 120: Public company valuation with exposure to esports ecosystem

As of:	7/11/19	Price	Market		2019E			2020E			2019E				2020E			
			Cap (\$M)	EV (\$M)	P/E	EV/EBITDA	EV/Rev	P/E	EV/EBITDA	EV/Rev	EPS	EBITDA	Revenue	Rev Growth	EPS	EBITDA	Revenue	Rev Growth
Ticker	Name																	
<b>Game developers and publishers</b>																		
MSFT	Microsoft	US\$ 138.03	1,057,699	1,016,196	30.1x	18.9x	8.1x	27.0x	16.8x	7.3x	US\$ 4.59	US\$ 53,897	US\$ 124,864	13%	US\$ 5.11	US\$ 60,449	US\$ 138,794	11%
700-HK	Tencent Holdings	HKD 357.20	3,383,115	3,476,879	32.0x	21.2x	7.8x	26.3x	17.8x	6.2x	HKD 11.17	HKD 164,327	HKD 447,736	22%	HKD 13.58	HKD 194,853	HKD 565,028	26%
7974	Nintendo	¥ 41,660	4,962,737	3,925,173	21.3x	11.7x	3.0x	18.6x	10.6x	2.9x	¥ 1,953	¥ 335,726	¥ 1,315,312	10%	¥ 2,235	¥ 372,030	¥ 1,361,873	4%
NTES	NetEase ADR	US\$ 263.34	33,697	28,614	22.5x	16.4x	2.4x	19.9x	12.9x	2.1x	US\$ 11.69	US\$ 1,741	US\$ 11,777	18%	US\$ 13.25	US\$ 2,218	US\$ 13,836	17%
ATVI	Activision Blizzard	US\$ 47.24	36,186	34,351	21.9x	15.1x	5.4x	18.5x	12.9x	4.8x	US\$ 2.15	US\$ 2,270	US\$ 6,380	(12%)	US\$ 2.55	US\$ 2,653	US\$ 7,098	11%
EA	Electronic Arts	US\$ 93.41	27,681	24,131	20.5x	14.1x	4.7x	18.2x	12.5x	4.4x	US\$ 4.55	US\$ 1,714	US\$ 5,186	5%	US\$ 5.12	US\$ 1,936	US\$ 5,515	6%
TTWO	Take-Two Interactive	US\$ 116.20	13,077	11,250	26.9x	18.1x	4.2x	24.8x	16.5x	4.1x	US\$ 4.33	US\$ 622	US\$ 2,683	(8%)	US\$ 4.68	US\$ 683	US\$ 2,718	1%
UBI-FR	Ubisoft Entertainment	€ 72.70	8,079	8,969	25.5x	9.2x	4.1x	21.1x	8.2x	3.7x	€ 2.85	€ 970	€ 2,195	8%	€ 3.44	€ 1,096	€ 2,419	10%
7832	BANDAI NAMCO Holdings	¥ 6,190	1,360,504	1,147,376	20.7x	10.2x	1.5x	18.9x	9.5x	1.5x	¥ 299	¥ 112,346	¥ 745,248	2%	¥ 327	¥ 121,325	¥ 785,144	5%
9697	Capcom	¥ 2,248	239,976	200,479	17.0x	8.2x	2.2x	15.8x	7.4x	2.0x	¥ 132	¥ 24,555	¥ 89,847	(10%)	¥ 143	¥ 27,194	¥ 99,807	11%
Average					23.8x	14.3x	4.3x	20.9x	12.5x	3.9x				5%				10%
<b>Media, entertainment, and promotion</b>																		
AMZN	Amazon.com	US\$ 2,006.08	987,657	1,017,797	73.3x	24.2x	3.7x	52.1x	19.1x	3.1x	US\$ 27.38	US\$ 42,139	US\$ 275,178	18%	US\$ 38.51	US\$ 53,364	US\$ 323,656	18%
GOOGL	Alphabet A	US\$ 1,145.19	795,042	693,218	24.8x	11.9x	4.3x	21.6x	10.3x	3.7x	US\$ 46.18	US\$ 58,094	US\$ 160,508	17%	US\$ 53.05	US\$ 67,568	US\$ 187,271	17%
DIS	Walt Disney	US\$ 144.00	259,148	283,677	22.4x	15.2x	4.0x	22.4x	14.3x	3.4x	US\$ 6.42	US\$ 18,670	US\$ 70,563	19%	US\$ 6.43	US\$ 19,800	US\$ 83,873	19%
MGM	MGM Resorts	US\$ 28.81	15,477	33,527	28.2x	10.6x	2.6x	17.8x	9.7x	2.5x	US\$ 1.02	US\$ 3,153	US\$ 13,010	11%	US\$ 1.62	US\$ 3,461	US\$ 13,540	4%
3659	NEXON	¥ 1,692	1,516,385	1,049,404	15.7x	9.3x	3.8x	15.2x	8.2x	3.5x	¥ 108	¥ 112,689	¥ 274,740	8%	¥ 111	¥ 127,534	¥ 300,852	10%
TSG	Stars Group	US\$ 16.03	4,612	9,436	8.6x	9.9x	3.6x	7.3x	9.0x	3.3x	US\$ 1.87	US\$ 954	US\$ 2,656	31%	US\$ 2.21	US\$ 1,054	US\$ 2,883	9%
HUYA	HUYA ADR A	US\$ 23.99	1,086	4,369	89.8x	77.2x	4.1x	40.7x	31.7x	3.0x	US\$ 0.27	US\$ 57	US\$ 1,076	55%	US\$ 0.59	US\$ 138	US\$ 1,448	35%
CGX-CA	Cineplex	C\$ 23.25	1,474	3,467	30.9x	8.2x	2.1x	20.7x	7.7x	2.0x	C\$ 0.75	C\$ 421	C\$ 1,684	4%	C\$ 1.12	C\$ 449	C\$ 1,757	4%
SCR-CA	theScore A	C\$ 0.38	125	107	na	na	3.7x	na	58.8x	2.8x	\$ (0.03)	\$ (4.13)	C\$ 29.22	5%	\$ (0.01)	C\$ 1.82	C\$ 37.58	29%
SLGG	Super Lg Gaming	US\$ 7.82	66	25	na	na	14.8x	na	na	2.4x	\$ (2.88)	\$ (10)	US\$ 2	68%	\$ (1.98)	\$ (11)	US\$ 11	527%
AXV-CA	Axlon Ventures	C\$ 0.77	189	166	na	32.3x	6.3x	5.3x	3.3x	2.1x	C\$ 0.01	C\$ 5	C\$ 26	121%	C\$ 0.14	C\$ 50	C\$ 77	192%
Average					36.7x	22.1x	4.8x	22.6x	17.2x	2.9x				33%				78%
<b>Gaming hardware</b>																		
INTC	Intel	US\$ 48.55	217,358	238,311	11.4x	7.6x	3.5x	10.9x	7.2x	3.3x	US\$ 4.25	US\$ 31,342	US\$ 68,568	(3%)	US\$ 4.45	US\$ 33,059	US\$ 71,193	4%
NVDA	NVIDIA	US\$ 166.09	101,149	96,497	31.3x	29.5x	8.8x	23.3x	22.1x	7.4x	US\$ 5.31	US\$ 3,266	US\$ 10,964	(6%)	US\$ 7.13	US\$ 4,370	US\$ 13,114	20%
6758	Sony	¥ 5,974	7,472,916	6,987,306	13.9x	5.7x	0.8x	12.6x	5.4x	0.8x	¥ 430	¥ 1,227,927	¥ 8,769,709	1%	¥ 474	¥ 1,305,504	¥ 9,033,008	3%
AMD	AMD	US\$ 33.11	35,806	36,112	52.0x	37.0x	5.3x	32.9x	24.7x	4.3x	US\$ 0.64	US\$ 976	US\$ 6,878	6%	US\$ 1.01	US\$ 1,463	US\$ 8,368	22%
LOGN-CH	Logitech International	Sfr 38.61	6,404	5,922	19.1x	15.4x	2.0x	17.3x	14.0x	1.9x	Sfr 2.02	Sfr 383	Sfr 2,937	3%	Sfr 2.24	Sfr 423	Sfr 3,153	7%
2357-TW	ASUSTek Computer	TWD 216.00	160,436	110,135	13.7x	9.3x	0.3x	11.9x	7.6x	0.3x	TWD 15.77	TWD 11,885	TWD 342,121	(3%)	TWD 18.08	TWD 14,437	TWD 342,096	(0%)
2353-TW	Acer	TWD 19.25	58,293	36,887	16.5x	6.9x	0.2x	15.2x	6.2x	0.1x	TWD 1.17	TWD 5,339	TWD 241,973	(0%)	TWD 1.27	TWD 5,973	TWD 251,013	4%
1337-HK	Razer	HKD 1.62	12,425	9,064	na	na	1.3x	na	na	1.1x	\$ (0.06)	\$ (194)	HKD 6,967	25%	\$ (0.00)	HKD 86	HKD 8,313	19%
HEAR	Turtle Beach	US\$ 10.36	152	158	10.3x	5.4x	0.6x	8.2x	4.0x	0.6x	US\$ 1.00	US\$ 29	US\$ 246	(14%)	US\$ 1.27	US\$ 39	US\$ 270	10%
Average					21.0x	14.6x	2.5x	16.5x	11.4x	2.2x				1%				10%

Priced as at 11 July 2019  
Source: Bloomberg LLP, Canaccord Genuity Research

## Appendix: Important Disclosures

### Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity LLC and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

### Investment Recommendation

Date and time of first dissemination: July 17, 2019, 01:03 ET

Date and time of production: July 17, 2019, 09:24 ET

### Compendium Report

This report covers six or more subject companies and therefore is a compendium report and Canaccord Genuity and its affiliated companies hereby direct the reader to the specific disclosures related to the subject companies discussed in this report, which may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx>; or by sending a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to [disclosures@cgf.com](mailto:disclosures@cgf.com). The reader may also obtain a copy of Canaccord Genuity's policies and procedures regarding the dissemination of research by following the steps outlined above.

### Past performance

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

### Distribution of Ratings:

#### Global Stock Ratings (as of 07/17/19)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	518	59.20%	51.74%
Hold	205	23.43%	34.15%
Sell	23	2.63%	21.74%
Speculative Buy	129	14.74%	75.97%
	875*	100.0%	

\*Total includes stocks that are Under Review

### Canaccord Genuity Ratings System

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

### Risk Qualifier

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

**12-Month Recommendation History** (as of date same as the **Global Stock Ratings** table)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

**General Disclaimers**

See “Required Company-Specific Disclosures” above for any of the following disclosures required as to companies referred to in this report: manager or co-manager roles; 1% or other ownership; compensation for certain services; types of client relationships; research analyst conflicts; managed/co-managed public offerings in prior periods; directorships; market making in equity securities and related derivatives. For reports identified above as compendium reports, the foregoing required company-specific disclosures can be found in a hyperlink located in the section labeled, “Compendium Reports.” “Canaccord Genuity” is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity LLC, Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity LLC, a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Investment Banking activities, or to recommendations contained in the research.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity’s policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity’s policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity’s judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

From time to time, Canaccord Genuity salespeople, traders, and other professionals provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity’s affiliates, principal trading desk, and investing businesses also from time to time make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

**Research Distribution Policy**

Canaccord Genuity research is posted on the Canaccord Genuity Research Portal and will be available simultaneously for access by all of Canaccord Genuity’s customers who are entitled to receive the firm’s research. In addition research may be distributed by the firm’s sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Canaccord Genuity’s customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

**Short-Term Trade Ideas**

Research Analysts may, from time to time, discuss “short-term trade ideas” in research reports. A short-term trade idea offers a near-term view on how a security may trade, based on market and trading events or catalysts, and the resulting trading opportunity that may be available. Any such trading strategies are distinct from and do not affect the analysts’ fundamental equity rating for such stocks. A short-term trade idea may differ from the price targets and recommendations in our published research reports that reflect the research

analyst's views of the longer-term (i.e. one-year or greater) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. It is possible, for example, that a subject company's common equity that is considered a long-term 'Hold' or 'Sell' might present a short-term buying opportunity as a result of temporary selling pressure in the market or for other reasons described in the research report; conversely, a subject company's stock rated a long-term 'Buy' or "Speculative Buy" could be considered susceptible to a downward price correction, or other factors may exist that lead the research analyst to suggest a sale over the short-term. Short-term trade ideas are not ratings, nor are they part of any ratings system, and the firm does not intend, and does not undertake any obligation, to maintain or update short-term trade ideas. Short-term trade ideas are not suitable for all investors and are not tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any securities or strategies discussed herein. Please contact your salesperson for more information regarding Canaccord Genuity's research.

**For Canadian Residents:**

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canaccord Genuity Corp. is registered and regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and is a Member of the Canadian Investor Protection Fund. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

**For United States Persons:**

Canaccord Genuity LLC, a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity LLC. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity LLC and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**For United Kingdom and European Residents:**

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

**For Jersey, Guernsey and Isle of Man Residents:**

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

**For Australian Residents:**

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

**For Hong Kong Residents:**

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited which is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong) Limited. (Contact Tel: +852 3919 2561) in respect of any matters arising from, or in connection with, this research.

**Additional information is available on request.**

Copyright © Canaccord Genuity Corp. 2019 – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited. 2019 – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity LLC 2019 – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited. 2019 – Participant of ASX Group, Chi-x Australia and of the NSX. Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity LLC or Canaccord Genuity Group Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.

**None of the material, nor its content, nor any copy of it, may be altered in any way, reproduced, or distributed to any other party including by way of any form of social media, without the prior express written permission of the entities listed above.**