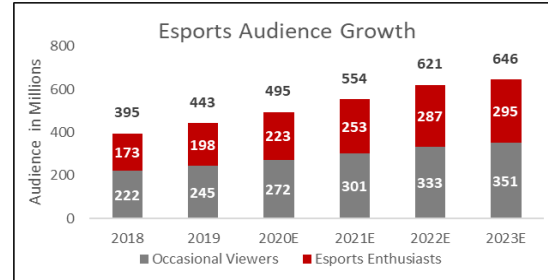
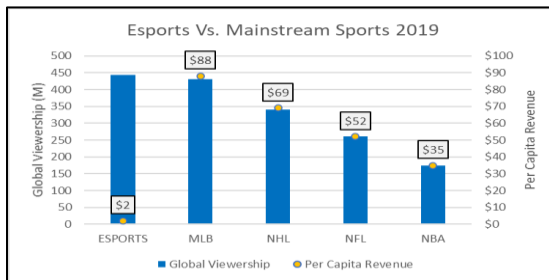


The Long-Term Investment Opportunity that is Esports

Esports is a large global business, growing dramatically, but so far, w/minimal per-cap spending compared to regular sports

- The total global audience for Esports is almost 500M and expected to reach 650M by 2023
- Global viewership exceeds any US sport incl NFL; and far exceeds Netflix, the largest streaming svc w/190M subscribers at 2Q20
- The newness of Esports is best illustrated by its per-capita revenue, which is tiny compared to major US sports
- Global revenue for Esports was only \$1.1B in 2019 but expected to grow to \$1.7B in 2021, up 55%



Game publishers dominate and are highly profitable; companies focused on Esports infrastructure, events and tournaments, fan engagement and betting are just getting started; Esports teams are most prominent, but not yet profitable

Importance and value of Esports venues and infrastructure, where tournaments are organized, content is created and various secondary businesses that promote fan engagement (betting and analytics) evolve, are likely to increase

Game Publishers	Ticker Symbol	Price 8/14/2020	Market Cap	Enterprise Value	Revenue	EBITDA	EBITDA	EV/Revenue
Tencent Holdings	700	\$66.05	\$630,758	\$636,145	56,465	20,164	31.5X	
Activision Blizzard	ATVI	\$82.28	\$63,356	\$60,056	6,450	2,060	29.2X	
Nintendo	7974	\$501.09	\$59,680	\$48,372	12,160	3,364	14.4X	
Netease Games	NTESE	\$480.24	\$61,951	\$56,122	10,431	1,939	28.9X	
Electronic Arts	EA	\$141.30	\$41,257	\$36,513	5,540	1,610	22.7X	
Take Two Interactive	TTWO	\$174.43	\$19,772	\$17,967	2,870	431	41.7X	
Bandai Namco Holdings	7832	\$62.20	\$13,672	\$12,131	6,774	985	12.3X	
Ubisoft Entertainment	UBI	\$68.94	\$8,314	\$8,982	1,780	918	9.8X	
Konami Holdings	9766	\$36.61	\$4,877	\$4,010	2,442	535	7.5X	
Median			\$41,257	\$36,513	\$6,450	\$1,610	22.7X	

Esports Companies	Ticker	Shares Outstanding	Price 8/14/2020	Market Cap	Enterprise Value	Revenue LTM	Revenue 2021E	EV/Revenue LTM	EV/Revenue 2021E
Modern Times Group MTG AB	MTG-A-SE	68	\$13.95	949	934	454	599	2.1x	1.6x
Enthusiast Gaming Holdings Inc	EGLX-CA	73	\$1.25	92	107	19	35	5.5x	3.1x
Esports Entertainment Group Inc	GMBL	11	\$5.48	60	64	0	NA	NA	NA
Astralix Group A/S	ASTGRP-DK	57	\$0.84	47	63	7	NA	8.6x	NA
Allied Esports Entertainment, Inc.	AESE	29	\$1.59	46	47	23	31	2.0x	1.6x
Axion Ventures Inc	AXV-CA	213	\$0.15	32	45	8	NA	5.6x	NA
Versus Systems Inc	VS-CA	150	\$0.17	25	25	0	19	NM	1.3x
Super League Gaming, Inc.	SLGG	10	\$2.25	24	18	1	6	15.7x	3.0x
Fandom Sports Media Corp	FDM-CA	33	\$0.22	7	7	0	NA	NA	NA
ePlay Digital Inc.	EPY-CA	72	\$0.02	2	2	0	NA	NM	NA
Median				39	46	4	31	5.6x	1.6x

- The average market capitalization of public company game publishers, excluding TenCent, is \$31B
- Pure-play Esports companies have gone public to raise their profile, facilitate M&A, and enable further capital raising but, due to lack of profitability, valuations are still based on multiples of forward revenues – average market cap ex. MTG is only \$37M
- Pro League franchises for games like Overwatch have sold for as much as \$60M; with no revenue sharing currently, the ROI proposition for league affiliated franchise owners is theoretical appreciation in the value of the teams

Betting could catalyze interest and growth in Esports and become the intersection point with the casino gaming industry

- According to Venture Beat, \$8B was wagered on Esports in 2019 (mostly Europe), equating to ~\$560M in GGR assuming 7% hold
- A Q2 survey which looked at how wagering behavior in the UK changed because of Covid19 found that 36% of respondents made a wager on Esports; 30% of those started to do so within the last month
 - Nevada authorized wagering on the CS GO Pro League Tournament in March of 2020 including head to head wagers, and match winners; however, in-play wagering was excluded
 - New Jersey, which allowed Esports wagering on League of Legends Championship Series in November 2019, is considering a legislative bill that would allow broad wagering on Esports
 - Other states where esports wagering is either allowed or not expressly prohibited include: CO, MT, NH, RI, TN, WA, WV
 - Further expansion of sports wagering in US states is also likely to spur inclusion of more Esports wagering
- Pre-Covid, casinos were increasingly hosting Esports events and are likely to return to that strategy once large gatherings can again occur

NOTE: Spectrum Gaming Capital and Spectrum Esports Advisors recently published a whitepaper titled: "Investing in Esports". Please email us at info@spectrumgamingcapital.com for a free copy. Comparisons of valuation metrics for public Esports companies, updated weekly, can be found at <https://www.spectrumgamingcapital.com/analytcs>