

Esports – Who are the big players and the likely winners

Millennial driven esports continues to grow rapidly. The number of esports enthusiasts worldwide was estimated to be ~165 million in 2018, and for total global viewers, the forecast is ~453 million in 2019.

Esports global revenue is forecast to pass US\$1b in 2019 and by 2022 the global eSports market revenue is forecast to reach US\$1.79 billion growing at a CAGR of 22.3%.

The big players in esports

Activision Blizzard Inc. (NASDAQ: ATVI)

Activision Blizzard owns the popular Overwatch League as well as World of Warcraft, StarCraft, Diablo, and Hearthstone. In 2018 Activision Blizzard signed a multiyear deal with Walt Disney to broadcast the Overwatch League. As of March 2018, it was the largest game company in the Americas and Europe in terms of revenue and market capitalization. Activision Blizzard has several business units: Activision Publishing, Blizzard Entertainment, King, Major League Gaming, and Activision Blizzard Studios.

Alphabet Inc. (NASDAQ: GOOGL)

Alphabet (Google) has a new cloud gaming platform called Stadia. It operates games hosted on remote servers and then streams video content to connected devices, including smartphones, tablets, computers and TVs.

Other competitors in the streaming space include Amazon (Twitch), Facebook, Twitter, Microsoft, Tencent, and Alibaba.

Amazon (NASDAQ: AMZN)

Amazon's Twitch leads the online USA streaming market. Amazon acquired Twitch for nearly \$1 billion in 2014. Twitch is only a very small percentage of Amazon's massive revenue.

Electronic Arts Inc. (NASDAQ: EA)

Electronic Arts is an American video game company headquartered in California. It is the second-largest gaming company in the Americas and Europe by revenue and market capitalization.

Huya Inc. (NYSE: HUYA)

Considered the "Twitch of China", Huya mostly works off a gift model. Streamers can receive virtual gifts from their audiences purchased from Huya. The Company then shares a portion of revenue from these gifts with broadcasters and associated agencies.

Nvidia Corporation. (NASDAQ: NVDA) and Advanced Micro Devices Inc. (NASDAQ: AMD)

Nvidia and AMD are the two leading chip designers and makers with a focus on gaming chips. Most games run on one of their chips (semiconductors).

Take-Two Interactive Software Inc. (NASDAQ: TTWO)

Based in New York City the Company owns two major publishing labels, Rockstar Games, and 2K, itself composed of two divisions: 2K Games and 2K Sports, all of which own and operate various game development studios.

Tencent Holdings Ltd. (OTC: TCEHY)

The Chinese leader in esports game streaming acquired Riot Games and now owns the very popular League of Legends game. Tencent also owns the King of Glory. China's online gaming

platform DouYu (DOYU) is backed by Tencent who dominates the esports streaming industry in China.

Some other large companies involved in gaming include Bethesda Softworks LLC (private), Gameloft (OTC: GLOFY), Netease Inc. (NASDAQ: NTES), Microsoft Corp. (NASDAQ: MSFT) (Nintendo), Sony Corp. (NYSE: SNE) (Playstation), Sega Sammy Holdings Inc. (OTC: SGAMY), Ubisoft (OTC: UBSFY), and Valve Corporation (private).

Some Canadian listed eSports and gaming companies that we are watching:

- Axion Ventures Inc. (TSXV: AXV | OTCQX: AXNVF)
- Backstageplay Inc. (TSXV: BP)
- Bragg Gaming Group Inc. (TSXV: BRAG)
- Contagious Gaming Inc. (TSXV: CNS)
- Enthusiast Gaming Holdings Inc. (TSXV: EGLX | OTCQB: EGHIF)
- ePlay Digital Inc. (CSE: EPY)
- Fandom Sports Media Corp. (CSE: FDM)
- Global Gaming Technologies Corp. (CSE: BLOC.U)
- Kuuhubb Inc. (TSX: KUU)
- Millennial Esports Corp. (TSXV: GAME | OTCQB: MLLLF)
- The Stars Group Inc. (TSX: TSGI | NASDAQ: TSG)
- Versus Systems Inc. (CSE: VS | OTCQB:VRSSF)
- Victory Square Technologies Inc. (CSE: VST | OTCQX: VSQTF)
- YDX Innovation Corp. (TSXV: YDX)











Esports team owners are usually not listed

Team owners are often made up of gaming communities, celebrities or other groups, and are usually not listed companies. For example, aXiomatic (private) owns the number one team "Team Liquid" which has earned over US\$24 million in prize money. The number two company Evil Geniuses is a subsidiary of GoodGame Agency, owned by Amazon's Twitch

division.

The Video Gaming and Esports ETF (ESPO)

The Video Gaming and eSports ETF (ESPO) can offer broad exposure to gaming. The fund holds a portfolio of stocks related to video gaming and esports. Eligibility is based on generating at least half their revenue from relevant industries. This included game development, gaming-related software or hardware, and streaming services. The fund also holds firms involved in eSports events, such as league operators. ESPO has truly global reach, with the potential to hold firms of any size from any country.

ESPO	top	ten	holdings	
	 NVIDIA Corporation	9.15%	 Nintendo Co., Ltd.	5.76%
	 Tencent Holdings Ltd.	7.57%	 BANDAI NAMCO Hol...	5.22%
	 Activision Blizzard, Inc.	6.89%	 Take-Two Interactive ...	4.94%
	 Electronic Arts Inc.	6.45%	 NCsoft Corporation	4.69%
	 Advanced Micro Devi...	6.22%	 NetEase, Inc. Spons...	4.69%
		Total Top 10 Weighting		61.58%

The likely esports winners

It is still a bit early to say who will be the big winners in the esports sector. To date, it looks like the major players are using their huge brand names to build up an eSports business. For streaming Amazon (Twitch) looks to be a likely winner (with Alphabet Google in 2nd place), and Tencent the clear winner in China. For game makers and promoters/event organizers Activision Blizzard, Electronic Arts, and Take-Two Interactive Software have already cemented their place as winners, as has Tencent in China. In software, the clear winners should continue to be Nvidia and AMD.

For a possible pure-play junior esports likely winner I would look at Enthusiast Gaming Holdings, and for those investors just wanting broad exposure to the booming esports sector then ESP0 ETF looks to be a winner.