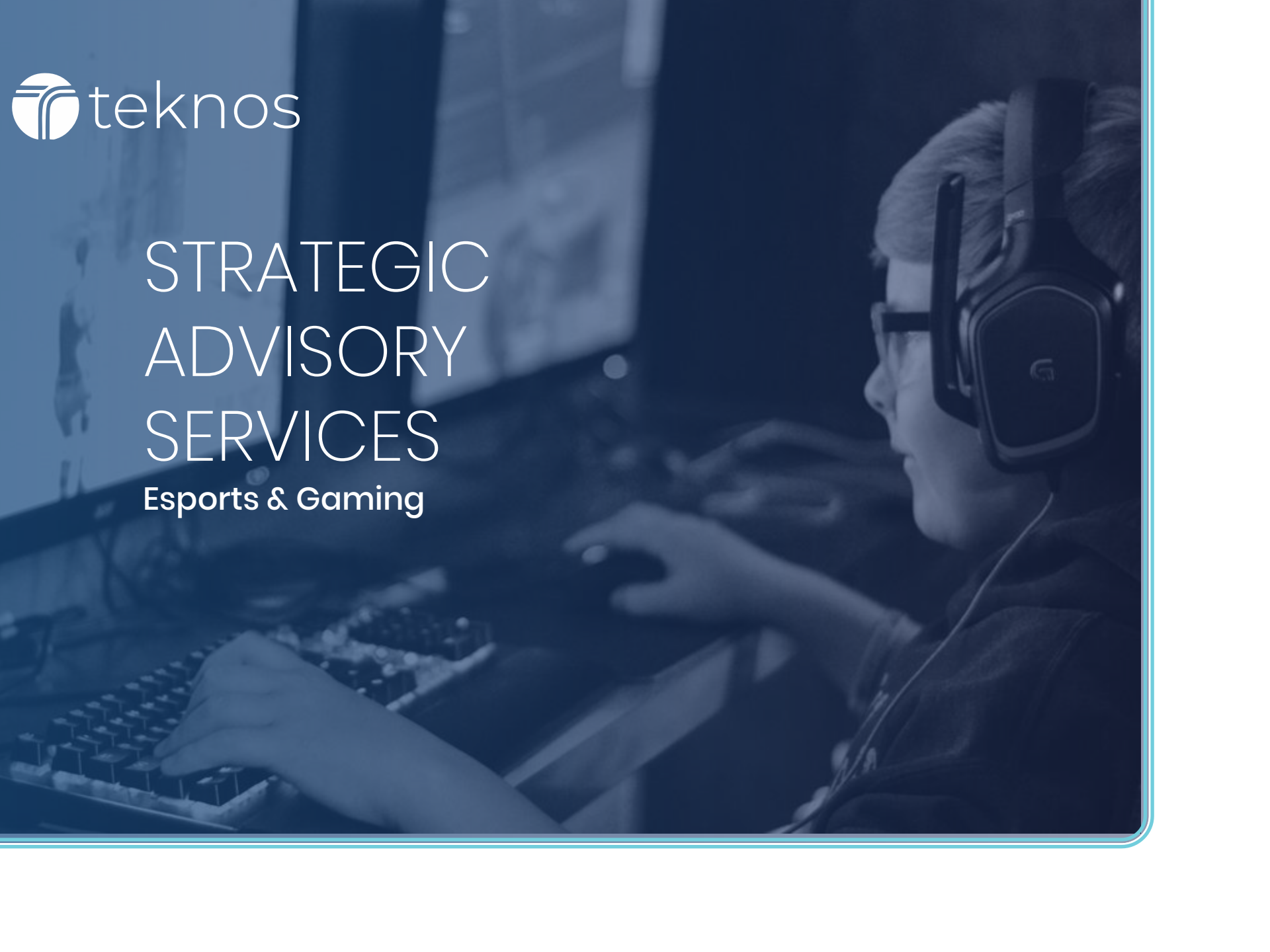




# STRATEGIC ADVISORY SERVICES

Esports & Gaming



# Introduction

## 1. Introduction

- Teknos Overview
- Service Offerings
- Who We Are
- Our Unique Capabilities

## 2. Esports and Gaming Industry

- Current State Of The Industry
- Trends For The Future
- COVID-19's Impact
- Selected Transaction Data

## 3. Teknos Expertise

- The Teknos View
- Case Studies

# TEKNOS OVERVIEW

Teknos Associates is a respected advisory services firm with a dedicated team focused on the world of esports and gaming.

**1**

## Significant experience in advisory services

- Successfully completed thousands of engagements
- Credentialed (CFA, ASA, CVA) and qualified
- Operational and strategic consulting experience, augmented by investment banking and risk management backgrounds

**2**

## Broad exposure across a number of industries, with a particular emphasis on esports and gaming

- Historical clients in gaming across multiple platforms and genres
- Past engagements in esports focused on both teams, communities & leagues, and technology stacks

**3**

## Deep understanding of challenges facing companies at various value inflection points across the entirety of the development stage spectrum

- Clients range from Angel/Series Seed to publicly traded companies
- Thought-leadership in delivering actionable, value enhancing strategies

# SERVICE OFFERINGS

Teknos has years of experience developed over thousands of engagements with clients spread out across multiple industries and at various stages of their company life cycles, from Series Seed to publicly traded organizations.

## Advisory Services

Strategic Planning and Corporate Development

Opinions

Buy-side and  
Sell-side Pre  
and Post  
Transaction  
Analyses

Strategic  
Valuation  
Consulting

Mergers, Spin-  
Offs, Joint  
Ventures,  
Divestitures,  
and  
Financings

Competitive  
Analyses

Financial and  
Business Case  
Modeling

Fairness

Solvency

Capital  
Adequacy

## Other Services

- Financial Reporting & Tax Valuations
- Transfer Pricing

- Intellectual Property Valuations
- Litigation Support and Expert Witness Testimony

## WHO WE ARE

Our team has over 50 years of experience in finance, including experience in investment banking, advisory services, and valuation.



### **MICHAEL BROWN**

Managing Director

Michael Brown is a Co-Founder and Managing Director at Teknos. He has significant experience completing thousands of engagements in strategic and financial reporting valuations, business case analysis and modeling, complex securities and litigation support.



### **NEIL THAKUR**

Managing Director

Neil Thakur is a Co-Founder and Managing Director at Teknos. He has significant transactional experience completing thousands of engagements involving strategic and pre-deal M&A and capital raising analyses, fairness and capital adequacy opinions, venture and corporate holding valuations, and tax and financial reporting related valuations.



### **SEAN GILBERT**

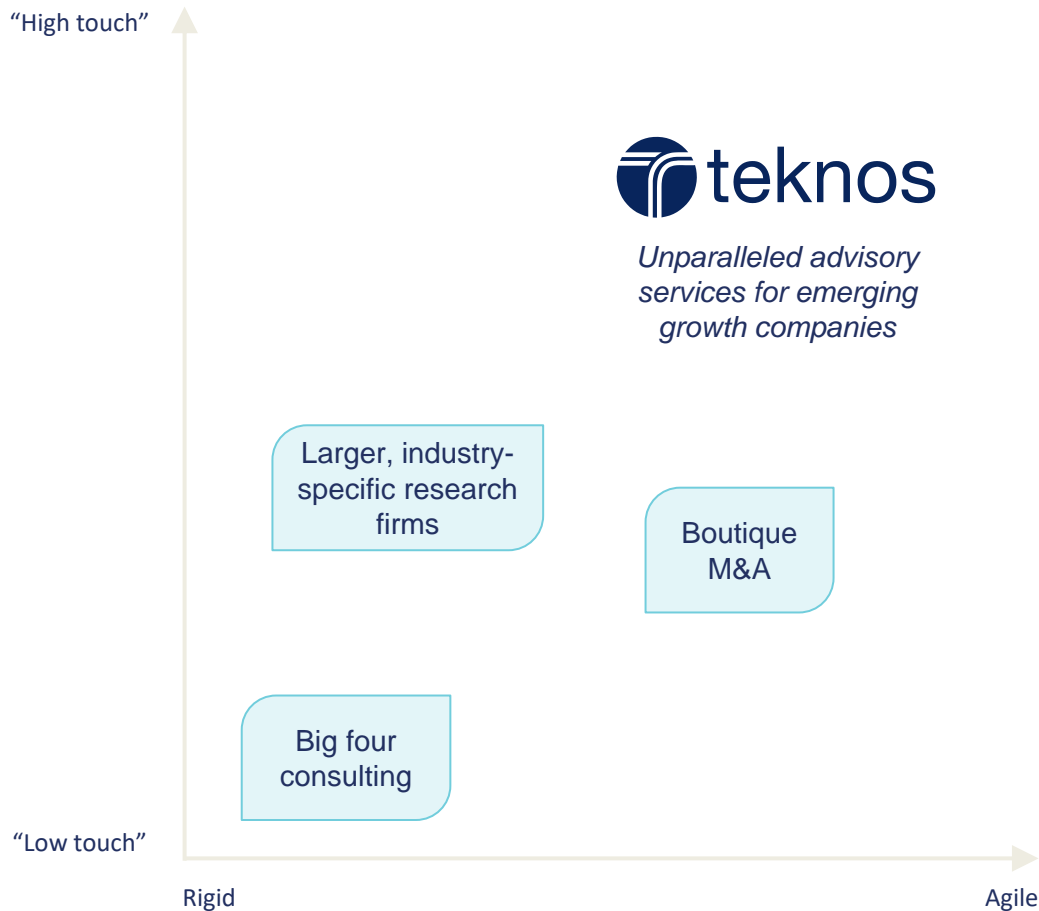
Associate Vice President

Sean Gilbert is an Associate Vice President focused on the advisory services practice at Teknos. He has investment banking, business strategy, and valuation and has completed hundreds of engagements while at Teknos including capital raising, M&A-related transaction work, strategic consulting, fairness opinions, portfolio analyses, and financial reporting and tax planning engagements.

# OUR UNIQUE SERVICE CAPABILITIES

Teknos combines a dedicated advisory services background with industry expertise to support emerging growth companies in esports and gaming.

## Growth Company Advisory Services Landscape



## Teknos' Differentiated Value Proposition

- Ability to leverage unique perspectives developed over thousands of engagements with hundreds of different organizations across a wide array of emerging growth industries
- Posses the capability to communicate a deep understanding of the challenges and opportunities facing the esports and gaming sector
- Dedicated to providing a high-touch level of service to our clients with dedicated involvement from experienced, senior team members
- Focus on flexibility and agility in our approach allows us to meet the specific, ever-changing demands of our clients

# Esports and Gaming Industry

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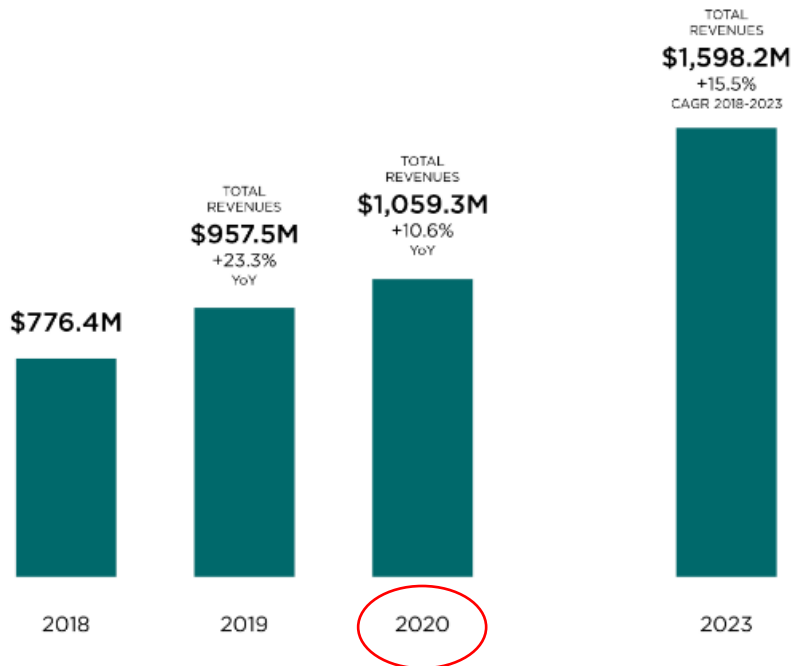
- The Teknos View
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# CURRENT STATE OF THE ESPORTS INDUSTRY

Esports constitutes one of the fastest growing subsegments of the gaming industry, and is expected to reach \$1B in revenue for the first time in 2020.

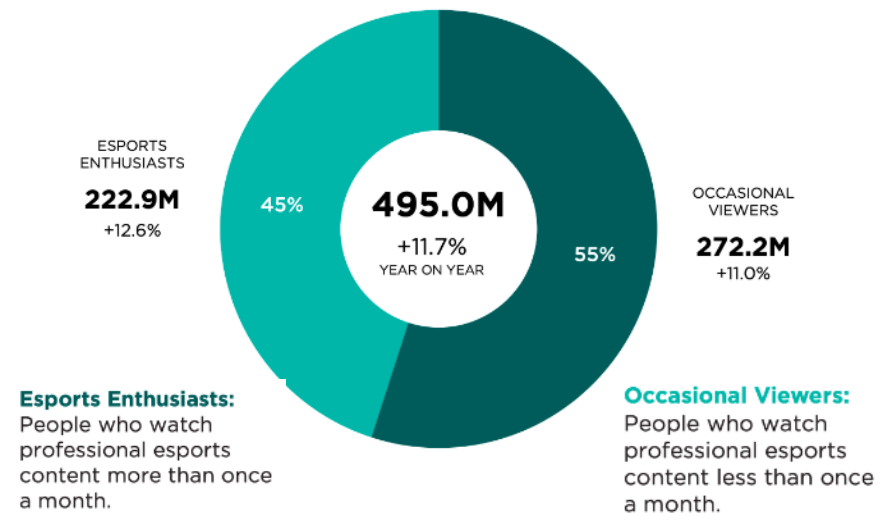
## Esports Revenue Growth

Global | For 2018, 2019, 2020, 2023



## 2020 Global Esports Audience

Including Year-on-Year Growth



CHINA TOTAL

**\$385.1M**



NORTH AMERICA TOTAL

**\$252.6M**

**55%**

of global esports audience are occasional viewers

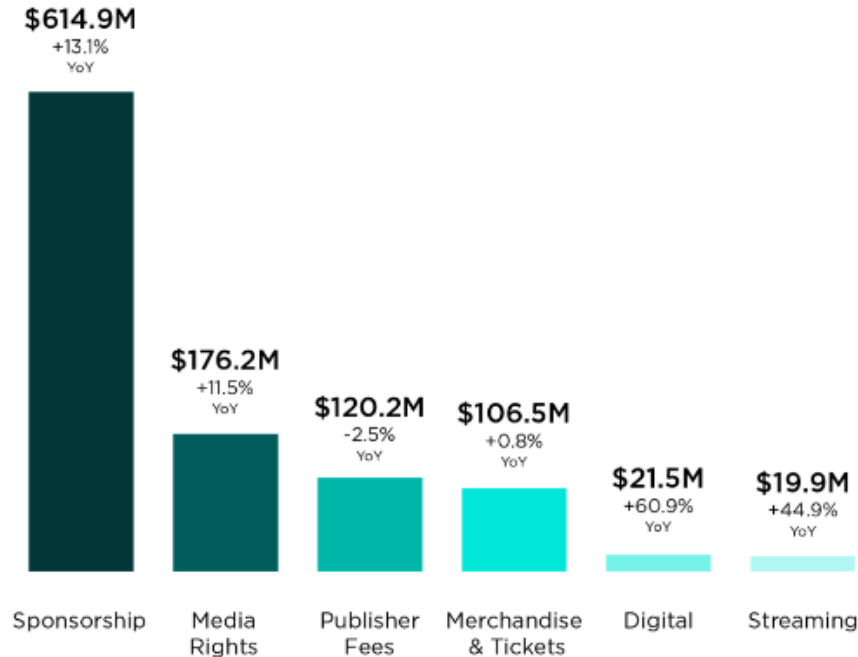


# CURRENT STATE OF THE ESPORTS INDUSTRY (CONT'D)

Sponsorships represent the largest revenue stream for esports. This trend is expected to continue as more and more non-endemic brands enter the space.

## 2020 Esports Revenue Streams | Global

Including Year-on-Year Growth



**\$1.1Bn**

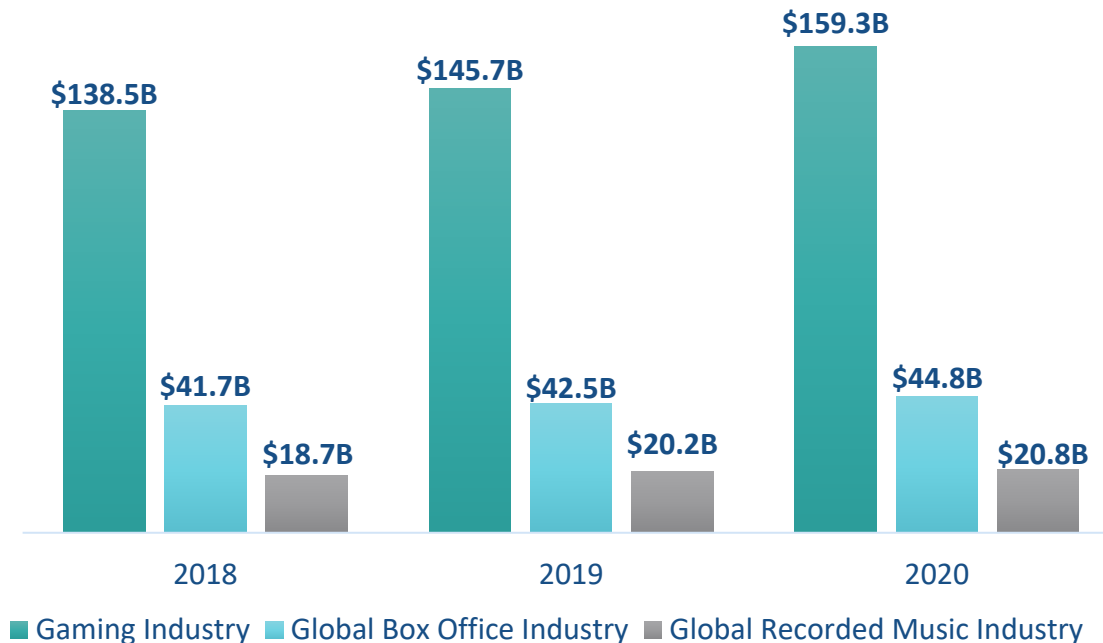
2020 TOTAL ESPORTS REVENUES

**+10.6%** YOY

# CURRENT STATE OF THE GAMING INDUSTRY

The global gaming industry is experiencing rapid expansion, with \$159.3B in revenues projected in 2020.

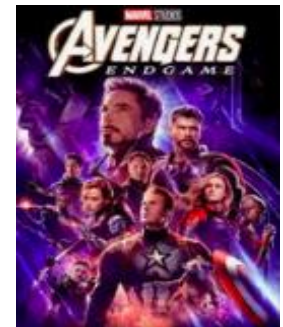
## Global Entertainment Market Revenues



**GTA V**  
earned  
**\$1B+**  
in  
3 days  
in **2013**



**Avengers  
Endgame**  
earned  
**\$853M**  
in  
**2019**  
over  
opening  
weekend



While video games have long since passed movies and music as the entertainment industry's dominant revenue generator, a shift in the cultural zeitgeist has resulted in an increased focus on this immersive and awe-inspiring sector.

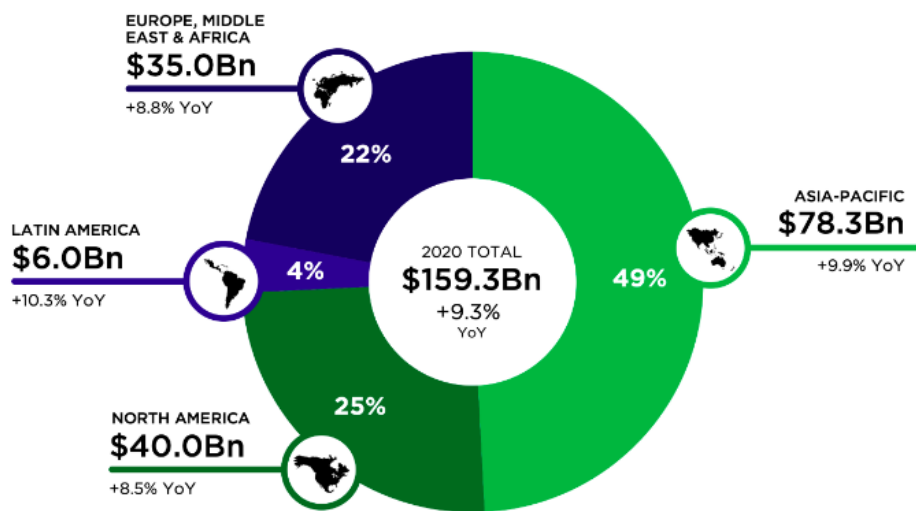
There are **2.7B** gamers worldwide, representing **~25%** of the world's total population

# CURRENT STATE OF THE GAMING INDUSTRY (CONT'D)

Asia-Pacific (led by China) is capturing the largest market share in both consumer spending and number of gamers, with US consumers following closely behind.

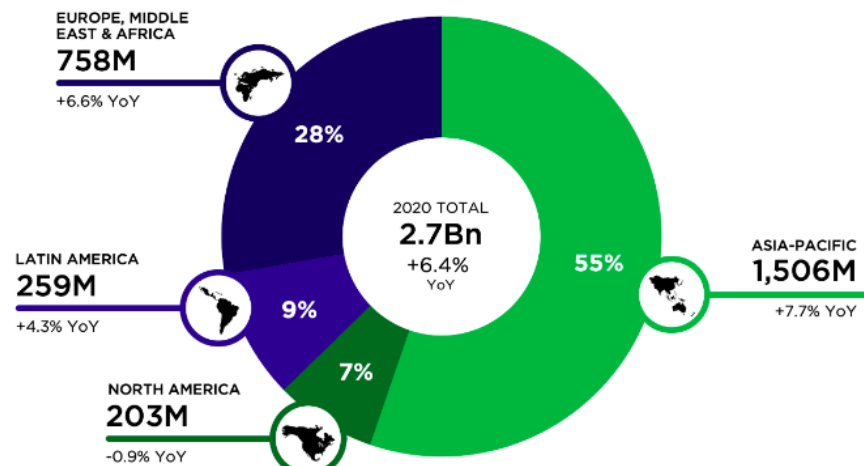
## 2020 Global Games Market

Per Region With Year-on-Year Growth Rates



## 2020 Global Gamers

Per Region With Year-on-Year Growth Rates



**49%**

of all consumer spending on games in 2020 will come from the U.S. and China



CHINA TOTAL  
**\$40.9Bn**



US TOTAL  
**\$36.9Bn**

**55%**

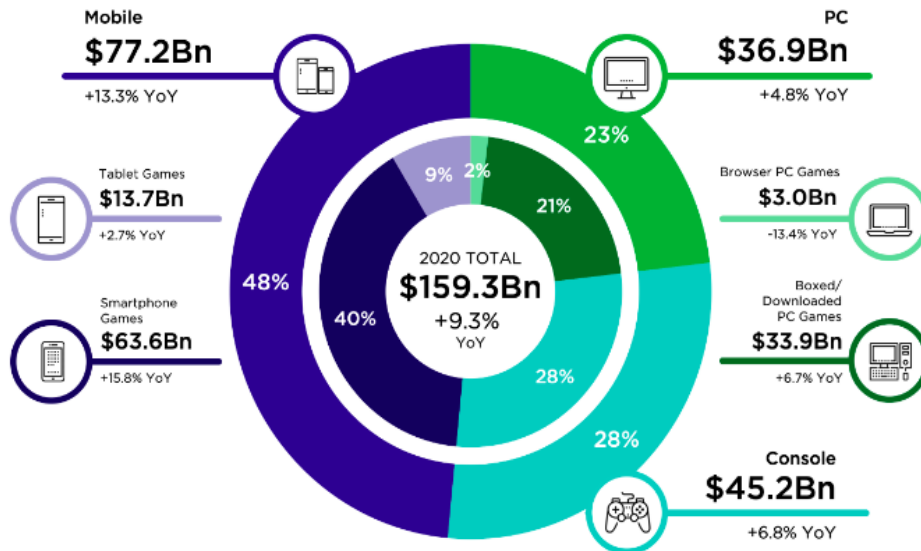
of global gamers are in Asia-Pacific, and the region is still the fastest-growing.

# CURRENT STATE OF THE GAMING INDUSTRY (CONT'D)

Gaming has a wide appeal with a geographically diverse audience, resulting in increasing market demand – particularly in the mobile gaming sector.

## 2020 Global Games Market

Per Device & Segment With Year-on-Year Growth Rates



- Increasing market penetration in emerging markets driven by lightweight, cloud-enabled and mobile games, as well as increases in internet accessibility
- By end of 2020, over 92 million new players from emerging market will enter the industry, primarily via mobile devices
- Tech giants such as Google (Stadia) and Microsoft (xCloud) have contributed significant resources towards the development of the technological infrastructure required to allow players to stream video games without the need for a dedicated computer or game console

# FUTURE OF ESPORTS AND GAMING INDUSTRY

Industry experts weigh-in on the future of the esports and gaming industries, which will continue to experience significant growth – with trends in gaming spilling over into esports.

## Gaming Will be Fundamentally Changed by New Tech and New People

“The gaming industry will continue to grow even in 2030, led by the experiences that you get on mobile and PC and consoles, as they start to merge [...] One of the most exciting things from a content perspective is the new generation coming into the workplace now that have played games all their life. Games for them are completely second-nature, not a strange career choice.”

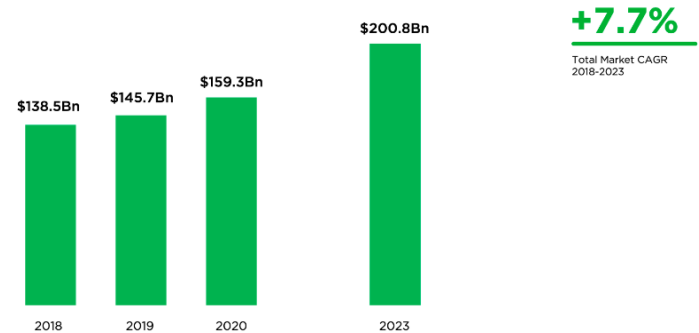
**Phil Harrison, Vice President and GM, Google (Stadia)**

## Mobile Gaming and the Cloud Will Continue to Expand the Industry

“When you think about the future, it’s impossible to ignore the fact that there are literally billions of gamers who will never have a PC or console and can only play on their mobile device. That’s an amazing shift in how games might be made and how we think about the future gaming audience.” **J. Allen Brack, President, Blizzard Entertainment (World of Warcraft)**

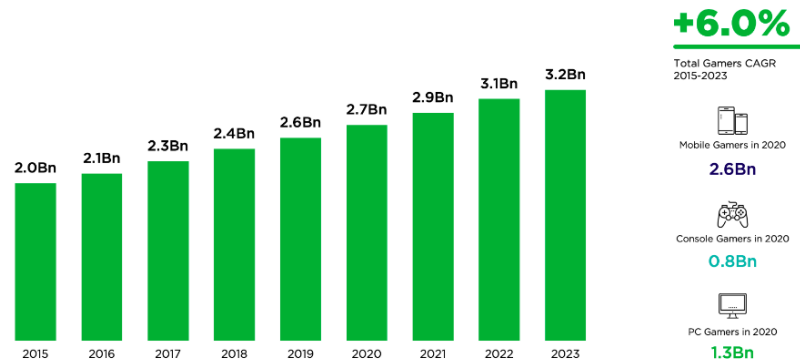
## Global Games Market Forecast

Forecast Toward 2023



## 2015-2023 Global Gamers

Forecast Toward 2023



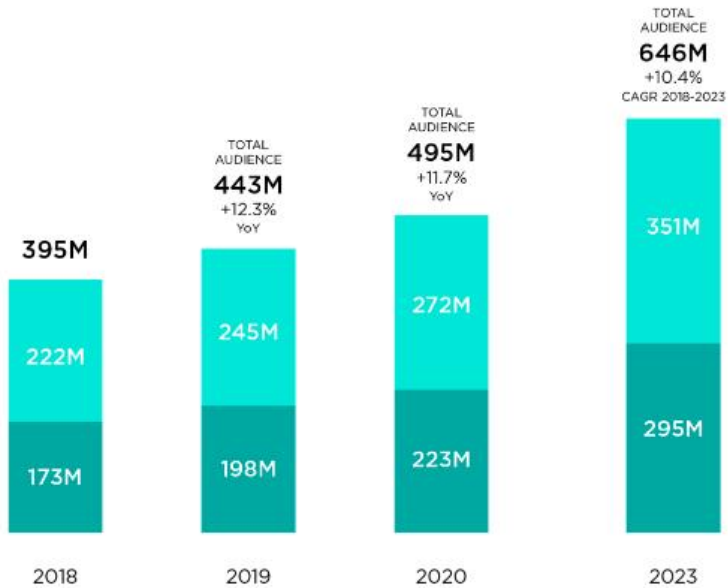
# FUTURE OF ESPORTS AND GAMING INDUSTRY

Esports will continue to experience rapid growth, driven both by an uptick in core, esports enthusiasts as well as occasional viewers.

## Esports Audience Growth

Global | For 2018, 2019, 2020, 2023

- OCCASIONAL VIEWERS
- ESPORTS ENTHUSIASTS



**Riot Games'** League of Legends North American professional league, the **LCS**, is already the **third most popular professional sport** in the US amongst the **core demographic of 18-34 year olds**.



# COVID-19'S IMPACT ON THE ESPORTS AND GAMING INDUSTRIES

COVID-19 has resulted in an explosion of game sales across genres, a dramatic increase in the consumption of casual streaming content, and established esports as a top-flight form of competition.

**GAME ON**



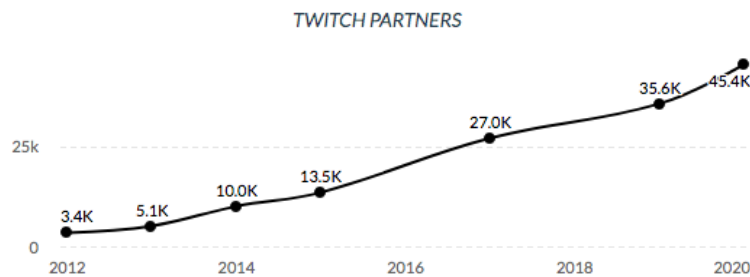
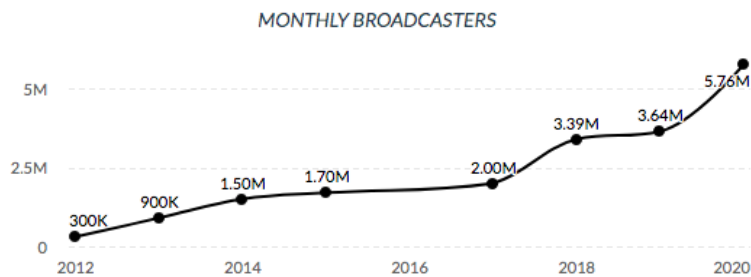
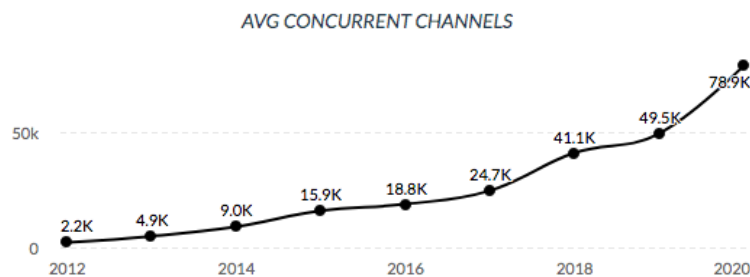
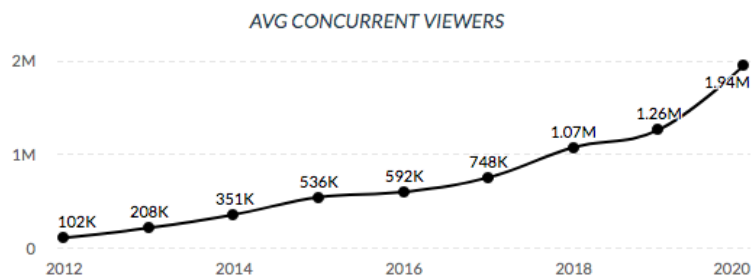
- Lockdown measures globally have accelerated existing trends in the esports and gaming markets
- The World Health Organization officially promoted video games as a recommended social activity during the pandemic
- Casual online games saw unprecedented levels of activity in the first half of 2020 as new gamers used these games to decompress
- Esports witnessed substantial market growth, giving legacy sports enthusiasts an outlet, as all major conventional sports leagues were suspended worldwide
- Global entertainers hosted concerts in Epic Games' Fortnite offering in front of millions of viewers



# COVID-19'S IMPACT ON THE ESPORTS AND GAMING INDUSTRIES (CONT'D)

Twitch, the West's dominant streaming platform, experienced a sharp uptick in Concurrent Viewers, Channels, Monthly Broadcasters and Twitch partners in H1 2020 as a result of COVID-19.

## TWITCH GROWTH

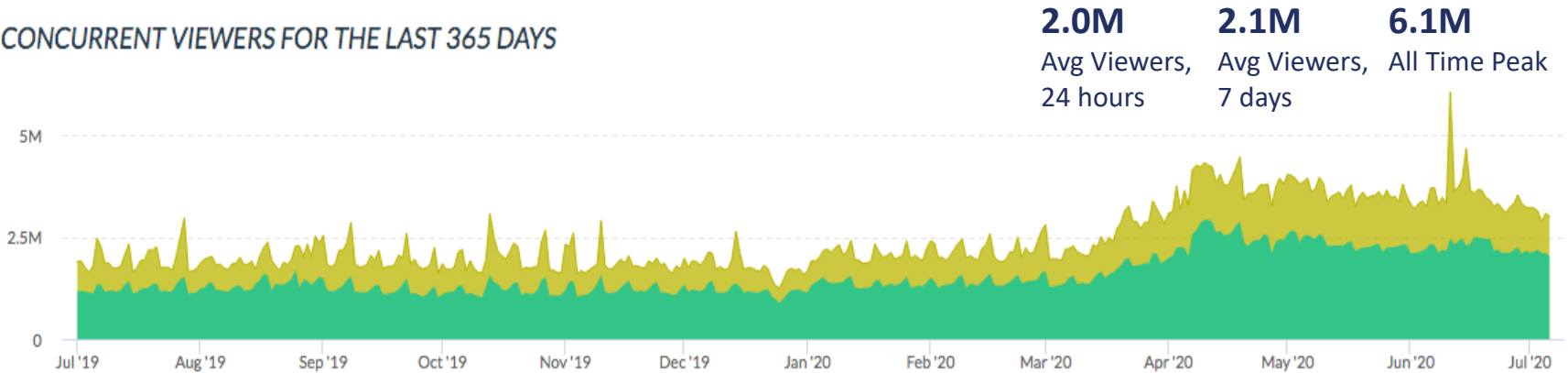




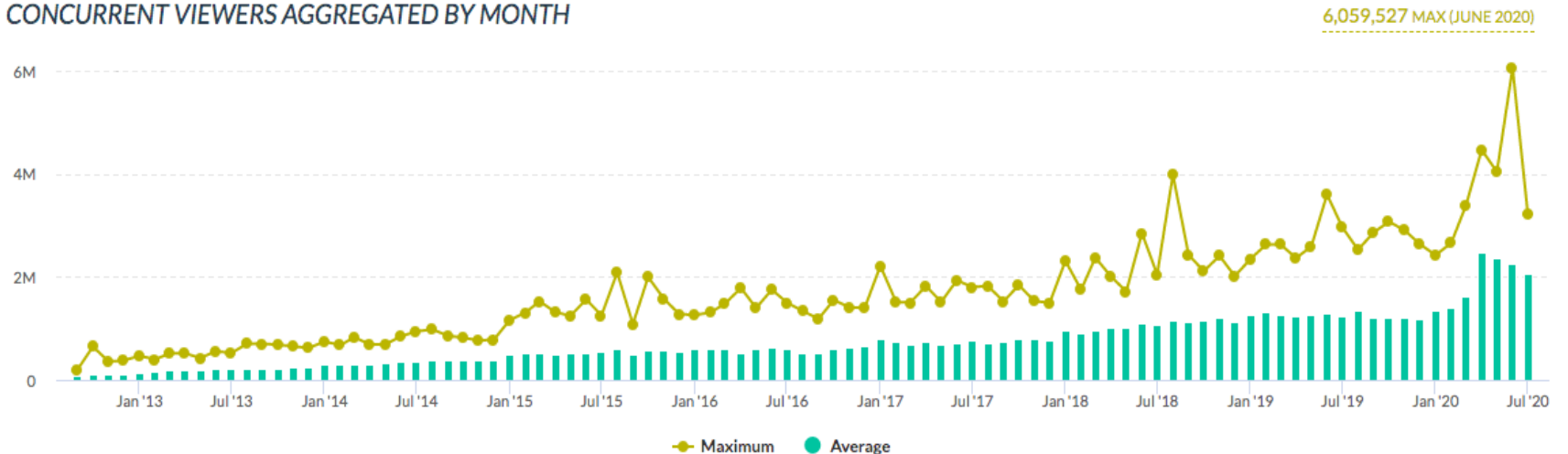
# COVID-19'S IMPACT ON THE ESPORTS AND GAMING INDUSTRIES (CONT'D)

COVID-19 restrictions resulted in a significant uptick in peak concurrent viewers to an all time high of 6.1M– despite the lack of major international esports tournaments that typically drive spikes in viewership.

CONCURRENT VIEWERS FOR THE LAST 365 DAYS

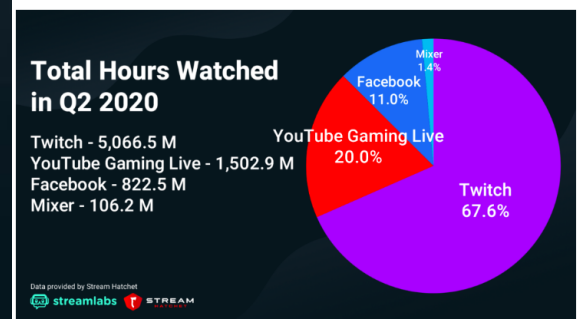
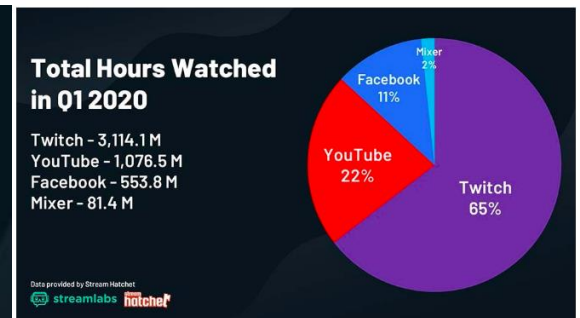


CONCURRENT VIEWERS AGGREGATED BY MONTH



# COVID-19'S IMPACT ON THE ESPORTS AND GAMING INDUSTRIES (CONT'D)

Twitch continues to maintain strong market share despite and increased focus on streaming by Google and Facebook, with the platform setting all-time high viewership records for hours watched of 3.1B and 5.1B in both Q1 and Q2 2020, respectively.



# Teknos Expertise

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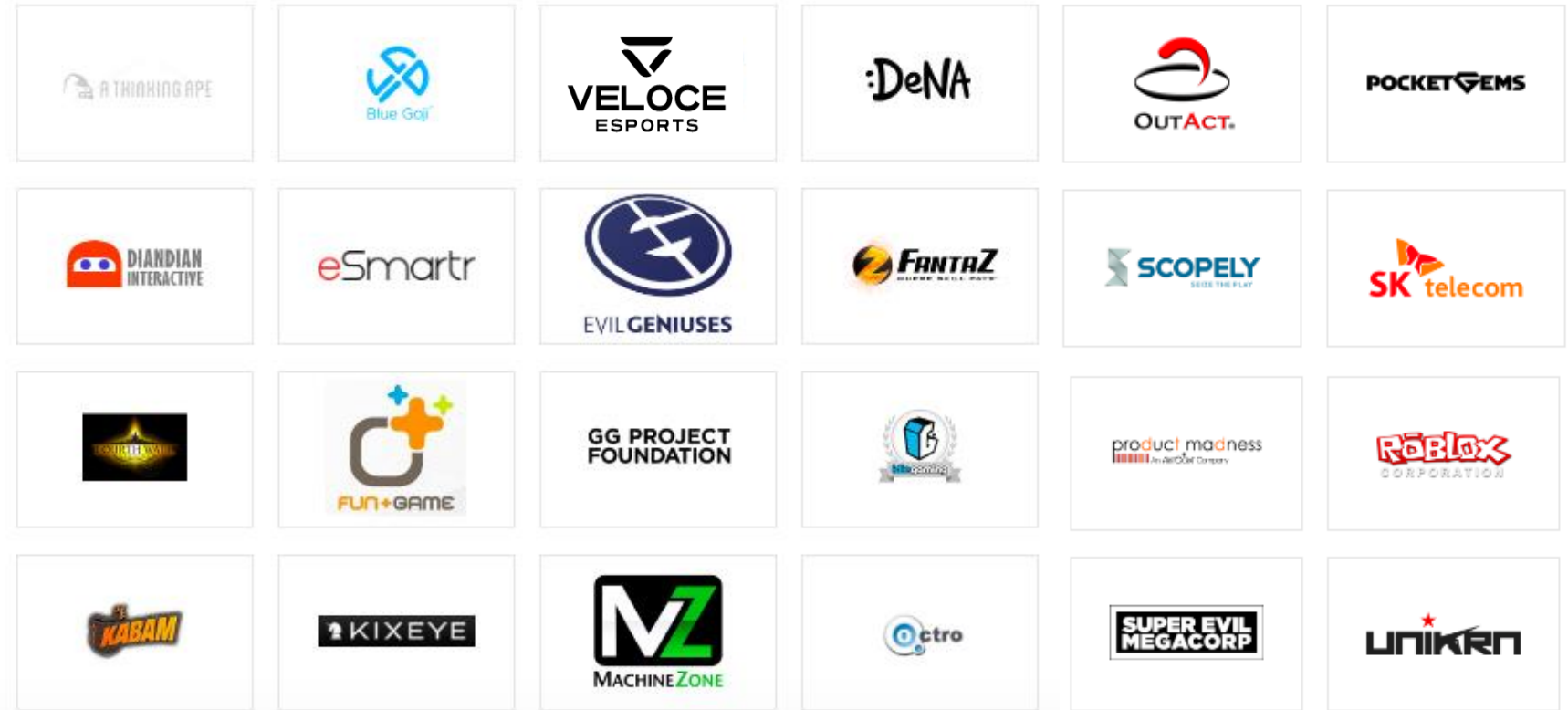
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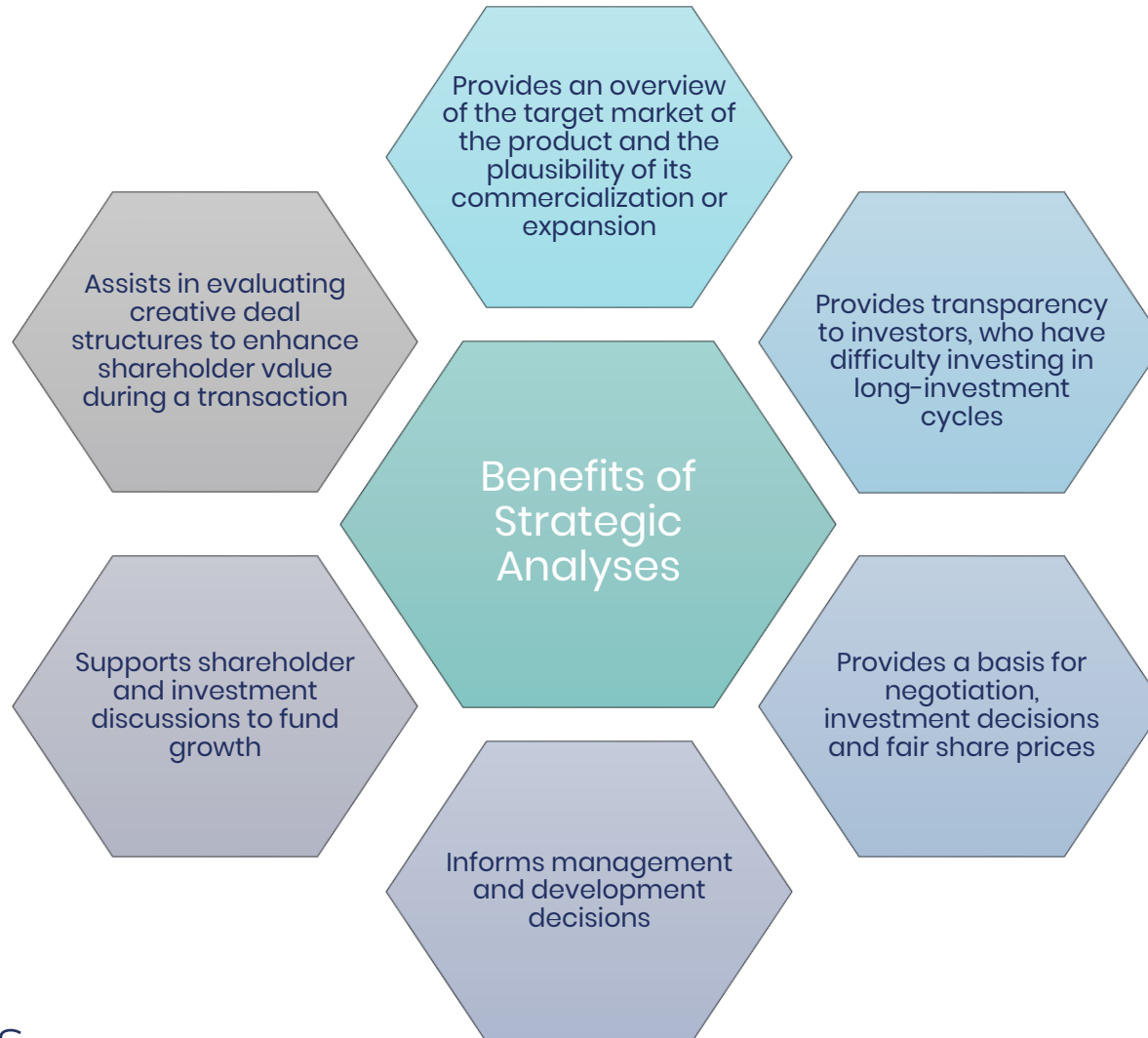
# THE TEKNOS VIEW

We have provided guidance to a large number of clients in the esports and gaming industries, including developers, publishers, teams, and technology providers.



## THE TEKNOS VIEW (CONT'D)

Understanding the value of a high-growth esports or gaming company is critical to efficiently realizing a business' scale and impact.



## THE TEKNOS VIEW (CONT'D)

Planning for the future requires an understanding of the past, the ability to respond in an agile manner, and an openness to trends outside your control.



Both the esports and video gaming industries are experiencing significant growth, some of which has been brought forward a number of years by COVID-19. In order to realize sustained, long-term growth, organizations must focus on the following:

- Creation of engaging environments that transcend gameplay and competitions.
- Aggregation and ownership of an audience through genuine interactions.
- Sustained engagement via good-faith dialogue amongst the communities that support them, whether that is casual players, streamers, or professional athletes.

A Cautionary Tale: **Following Activision-Blizzard's disastrous Diablo Immortal announcement at Blizzcon 2018, the company's stock plummeted 33% over the next three months, while rival EA's stock price held flat.**



## THE TEKNOS VIEW (CONT'D)

Staying disciplined in the face of exuberance is a core tenant of longevity; however, stubbornness is a surefire route to failure.

Rapid growth can be a double-edged sword for some organizations, as it may lead to overextension as rapid scaling undermines the ability to focus on the core competencies that lead to true, lasting differentiation. Getting caught up in the frenzy of rapid growth can lead to:

- Overpromising and underdelivering, be it regarding the expectations for an esports team or the ship date of a hotly anticipated title.
- Mass hiring and costly facilities build outs prior to the establishment of a sustainable business model.
- Burn-out prior to the widespread adoption required to sustain operations.

A Cautionary Tale: OpTic Gaming parent organization **Infinite Esports & Entertainment laid off 19 individuals in Q4 2018, directly stating that they believed they “grew too fast”**. It can be difficult to limit expansion in an environment where venture capitalists are injecting large sums of financing into companies seemingly every week; however, taking a disciplined approach to operations can yield long-term benefits for organizations, players, and fans alike.



## CASE STUDIES – VELOCE ESPORTS

A differentiated, aggregation-centric approach to the world of esports driven by a management team from the world of motorsport.



### Veloce Esports Highlights:

- Co-founded by Formula E champion and ex-Formula One driver Jean-Eric Vergne, alongside former Formula 3 and Formula BMW Europe driver Rupert Svendsen-Cook and former Formula 2 and Le Mans driver Jack Clarke.
- Counts the esports programs of F1 team Alfa Romeo Racing, Fernando Alonso's FA Racing team, and McLaren Racing as clients of its white label team management offerings.
- Capitalized on the suspension of conventional motorsport brought about by COVID-19, collaborating with Formula 1 to host "Not The AUS GP", ultimately reaching 170,000 concurrent viewers across YouTube and Twitch and garnering more than 2 million impressions on social media.



## CASE STUDIES – VELOCE ESPORTS (CONT'D)

Teknos was brought in to assist with Veloce Esports Series A financing efforts, offering a complete suite of strategic advisory services.

### **Teknos Service Offering Highlights:**

- Conducted a deep dive of historical operations and collaborated with senior management regarding the formation of Veloce's comprehensive business strategy moving forward.
- Developed a robust, five-year financial forecast of three distinct business lines requiring substantial first-party research and a deep understanding of the opportunities and risk factors faced by each unit.
- Co-authored the confidential information memorandum and pitch decks utilized by the company throughout the capital raising effort and accompanied the senior management team on a number of pitches – offering real time support and feedback.



## CASE STUDIES – KIXEYE

An innovative San Francisco-based game developer that has showcased a mastery of in-game economics across multiple titles and genres.



### **KIXEYE Highlights:**

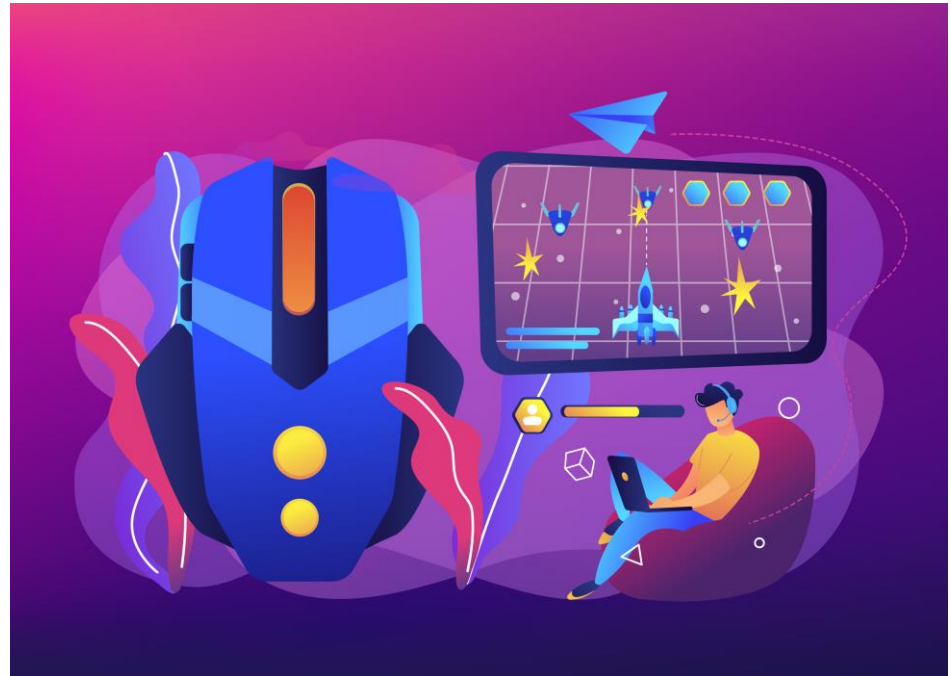
- Known for its influence on the Massively Multiplayer Online Real Time Strategy (MMORTS) genre through the launch of its game Backyard Monsters. Other game titles include: War Commander, Vega Conflict, and Battle Pirates.
- Lauded for being an innovator in in-game monetization mechanics, which have been widely adopted and emulated across the industry. Backyard Monsters was the world's first MMORTS, which has since become a multi-billion dollar sub-genre of gaming.
- KIXEYE was acquired by the Stillfront Group for \$120 million in June 2019.

## CASE STUDIES – KIXEYE (CONT'D)

Teknos was brought in to provide management with guidance concerning a range of potential values for a set of assets associated with an in-development game (Kingdom Maker) prior to the sale of the primary business.

### Teknos Service Offering Highlights:

- Conducted a robust scenario analysis around spinning out Kingdom Maker-related intellectual property into a newco prior to the sale.
- Evaluated the potential value associated with the Kingdom Maker assets in a scenario where they would be utilized to develop additional titles in the future.
- Assessed the financial impact of adopting an alternate, single-title approach where the assets would be utilized exclusively for applications associated with the lead Kingdom Maker title.





For all questions and general inquiries please contact us:



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