



**esports gold<sup>®</sup>**

**Teaser: Esports Market Insight Report 2021**

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**Company:** Esports Gold

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## 1. Foreword – An unpredictable year

In Spring last year, I was travelling to San Francisco and like many others, that time seems very distant. Now in a third lockdown, the number of changes everyone, globally, has had to make to their lives is extraordinary. Some of our team remain in severely controlled lockdowns, movements restricted and queuing for supplies from the government amidst growing number of infections.

Many times, I was asked “surely esports is doing great”. From an outside perspective, esports has been viewed as a shining light amidst sectors such as traditional sports or hospitality, both of which have been severely impacted by COVID-19. Heavy media publication of Premier League footballers, Formula 1 drivers and other famous sports stars playing online games, whilst live events were cancelled, brought the mainstream spotlight onto the world of gaming and streaming.

Will Smith investing in Gen.G, David Beckham behind Guild Esports, Lando Norris launching Quadrant esports highlight the increasing investment and publicity of celebrities and sports stars investing into the sector (a continued theme from prior years).

Within esports though, revenue projections have been revised downwards 3 times by Newzoo; live events have been cancelled, and many companies have had to adjust to the new norm of online leagues and changing operational structures.

Shed a tear for the Overwatch League. 2020 was supposed to be the breakout year for home and away games, a plan that Blizzard had spent two years prepping for, and which disappeared overnight, relegated to being played out online. With London Spitfire’s home game tickets at €100-€400 per event, 3x the price of seeing Manchester United per game let’s point out, it hasn’t been a great year given all the merchandise and ticket opportunities that evaporated.

Yet, online content consumption has soared to truly astronomical proportions. Established gaming streamers have continued to increase audiences year on year and as mentioned in prior years, we expect this to only increase as the generational shift in content consumption continues.

Esports remains an integrated component of gaming, streaming and online content, but clearly isolating the value within esports and navigating the behemoth companies that control crucial IP and infrastructure remains a challenge. Teams have looked for new revenue sources, growing digital audiences to generate advertising revenues, which hopefully can be leveraged to bring more viewers to esports events in the future.

As with our previous reports, our aim is to provide qualitative insights to esports from a gamer’s perspective. To show how the market works, what games are being played and watched, where the money is and critically, what do we see growing going forward.

*By Sean Hynes*

*Esports Gold*

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## 2. 2021 Esports Insights Report contents

The 2021 Esports Insight Report covers key topic areas including how the ecosystem works and the business models in place. It includes in-depth sections covering the different games being played, viewer numbers, and themes and predictions for 2021.

The full report includes:

1. Understanding esports and isolating the revenue streams
  - How the esports, gaming and streaming sectors integrate.
  - Why does esports remain such a big opportunity?
  - Key insights to understand how esports operate.
  - Size of the market and trends.
  - Key players.
2. The impact of COVID-19 on esports
  - Impact on revenues.
  - Impact on audience.
3. Where is the money currently in esports?
  - Comparing esports to traditional sports?
  - Where investment is being made?
  - Where are the economic opportunities?
  - Valuations and IPOs.
  - Understanding of content and why it is so valuable.
4. Current business models and value chains:
  - Revenue and content flows within esports.
  - How streamers generate money.
  - How developers make money.
  - How teams make money.
5. Ranking and understanding the top esports games:
  - Ranking of different esports game titles.
  - Key traits for a healthy competitive scene.
  - Games generating new scenes.
6. Esports betting:
  - Our summary of the last few years and where esports betting stands.
  - Loot boxes.
  - Betting margins.
  - Why betting markets are not moving quicker.
7. College esports and degrees:
  - Who offers esports degrees?
  - What is happening in college level esports?



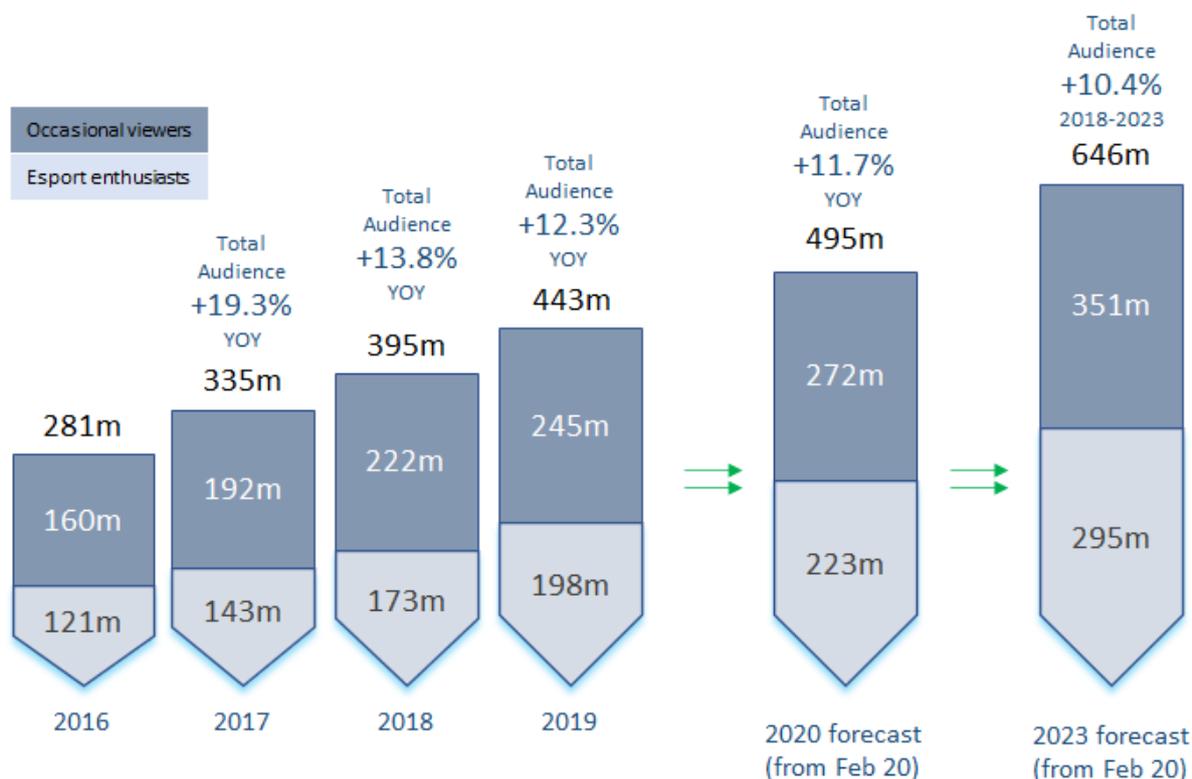
8. Overview of 2020 for each developer and esports game title:
  - Riot Games.
  - Activision Blizzard.
  - Valve.
  - Hi-Rez Studios.
  - Nintendo.
  - EPIC Games.
  - Wizards of the Coast.
  - PlayerUnknown's Battlegrounds.
  
9. Understanding the data and value behind streaming and esports events:
  - Data on monthly active player populations and game health.
  - The top games watched live stream.
  - Comparison of 2020 vs 2019.
  - What metrics are the most important to understand viewership.
  
10. Analysis and understanding esports viewers and event value by game title:
  - League of Legends .
  - Dota 2.
  - CS:GO .
  - Fortnite.
  - Call of Duty.
  - Overwatch.
  - Hearthstone.
  - Rocket League.
  - PUBG Mobile and PUBG.
  - Starcraft 2.
  - Magic the Gathering.
  - FIFA.
  - World of Warcraft.
  - Formula 1.
  
11. Key themes and predictions heading into 2021.



### 3. Teaser: Esports Market Forecasts - Audiences

Back in 2015/2016 with esports starting to be hyped up in North America and Europe, predictions for 2020 put the esports market at \$1bn, with an optimistic upside at \$3bn<sup>1</sup> (both Newzoo and SuperData Research). This was based on average revenue per enthusiast growing from \$5 to \$15 respectively.

During 2020, the forecast for year-end esports viewer numbers remained unchanged from the start of the year, expecting 495M esports viewers by the end of 2020:



Data source: Projected/reported esports audience size using data from Newzoo

Though there has been upsurge in viewers on online content platforms, the impact on events means the number of esports specific viewers could arguably be lower than forecast.

Important to note however is that the esports growth anticipated is for the sector as a whole and each game’s esports scene varies significantly.

As aforementioned in the esports revenue changes, many significant large events did not take place. Additionally, several esports franchises saw declines in viewership year-on-year as shown later:

- Overwatch League saw significant viewership drop in 2020 compared to 2019.
- Hearthstone esports saw a reduction in average peak viewers.

<sup>1</sup> Newzoo “the eSports Economy” 11 June 2015 igaming webinar



## 4. Teaser: winners in 2020, what did we say at the start of 2020?

### 2019: “key is unlocking content value”

Unlocking content value was the key statement in our report heading into 2020 and given that the top esports teams by valuation have generated huge audience reach to expand advertising revenues, it remains the clear goal for many entities.

In 2020, exacerbated by the changes wrought by the pandemic, content creators have proven to be the biggest winners, being able to grow audiences, keep eyeballs on their games and grow revenues far quicker than in previous years.

Not just gaming, but ‘how to make sourdough’, ‘home workouts’, ‘meditation’ all experienced huge growth in views as reported in YouTube’s COVID-19 impact report. For instance, guided meditation views increased over 40% after March 15 2020<sup>2</sup>.

“Among Us” the game that saw astronomical growth from obscurity gained over 4 billion views in September (from under 0.5bn the month before), taking the game from obscurity to a global phenomenon. Anyone who has seen the word “sus” in Twitter and Reddit chats will see how quickly it exploded.

Equally, brands providing online content and engagement prior to COVID-19, were able to transition easily and capture viewers as traditional events and sports were closed.

The streamer we sponsor – CovertGoBlue – a dedicated Magic the Gathering Arena streamer saw continued increases in his subscriber base as paper Magic disappeared along with all live events and his dedicated streams picked up a bigger market share of the game, whilst many of his competitors saw declines in viewership.

As Formula 1 shut down, Lando Norris, became the de-facto face of Formula 1 in lockdown, jumping from 192k followers on Twitch (March 22<sup>nd</sup>) to 400k (April 22<sup>nd</sup>)<sup>3</sup>. At the date of this report, he has over 600k followers, a 3x increase in 8 months

It echoes of similarities from the early 2000s where retailers who adapted quickly to online shopping trends were the early winners. The last couple of years sees a similar trend in brands pushing out more content away from esports activities to build their own audiences. Whether a team, player, or content creator, they have proven to be the big winners – generating valuable fanbases in the young demographic.

Hopefully, they can transition the hundreds of millions of followers to become esports viewers.

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<sup>2</sup> <https://www.youtube.com/trends/articles/covid-impact/>

<sup>3</sup> <https://sullygnome.com/channel/landonorris/365>



## 5. Teaser: Mixer fails - first high-profile multi-million-dollar gaming failure

Microsoft threw a lot of money at Mixer, the streaming platform they acquired in 2016 (back when it was called Beam and comparatively tiny compared to Twitch). From mid-2019 Mixer started throwing money at top tier streamers to bring them over to its platform in an aggressive acquisition strategy.

The most notable deal was the Fortnite streamer Ninja, the largest in the world, in a reported \$20m-\$30m a year deal. The activity kicked off competition with Facebook and YouTube both throwing money at high profile streamers to sign exclusivity deals.

At the time, the money being offered by Mixer was touted as “impossible to turn down” and it appeared as a last step by Microsoft to acquire scale at pace.

Even though a drop off in viewers was expected by Mixer as they transitioned over, the resultant viewer numbers from their strategy appeared too low. Ninja did manage to grow his audience once he was across, but even then, he had far fewer than on Twitch. In February 2020, peak viewership for the whole of Mixer appeared to be around 40k<sup>4</sup> compared to millions on Twitch.

Microsoft threw in the towel June 2020. Ninja was paid a reported \$30m to be bought out of his contract<sup>5</sup> after only 12 months (for the period from August 2019 to July 2020).

This highlights several key challenges facing investors and other new streaming and video content platforms emerging:

- Product quality. We stated a couple of years ago when Mixer first struck a deal with Hi-Rez to stream Smite esports that the platform was a poorer viewing experience than its competitors and would need to improve to be competitive to Twitch or YouTube.
- Mixer was far too early in its start-up cycle when acquired, given Microsoft’s intentions.
- Viewers are attracted to the platform more than any individual streamer. Twitch and YouTube both have depth and diversity of content across a variety of games with a lot of features for streamers and content creators (and content beyond just gaming).
- Inorganic acquisition of viewers through content partners is expensive and will lead to much smaller step increases in viewers than expected.
- New platforms will find it increasingly difficult to overcome the way YouTube and Twitch are both heavily integrated into day-to-day content consumption in the gaming ecosystem.

The winner from Mixer’s ambition is Facebook Gaming and the streamers themselves.

In the end Twitch signed back Ninja and Facebook Gaming took over any existing Mixer streamers and those under contracts. Streamer valuations took a huge step increase in 2019 and those that continue to do well command premium prices.

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<sup>4</sup> <https://www.youtube.com/watch?v=-TJIURsXud8>

<sup>5</sup> <https://www.ginx.tv/en/twitch/ninja-and-shroud-are-free-to-return-to-twitch-after-mixer-joins-facebook-gaming>



## 6. A summary of key players in esports

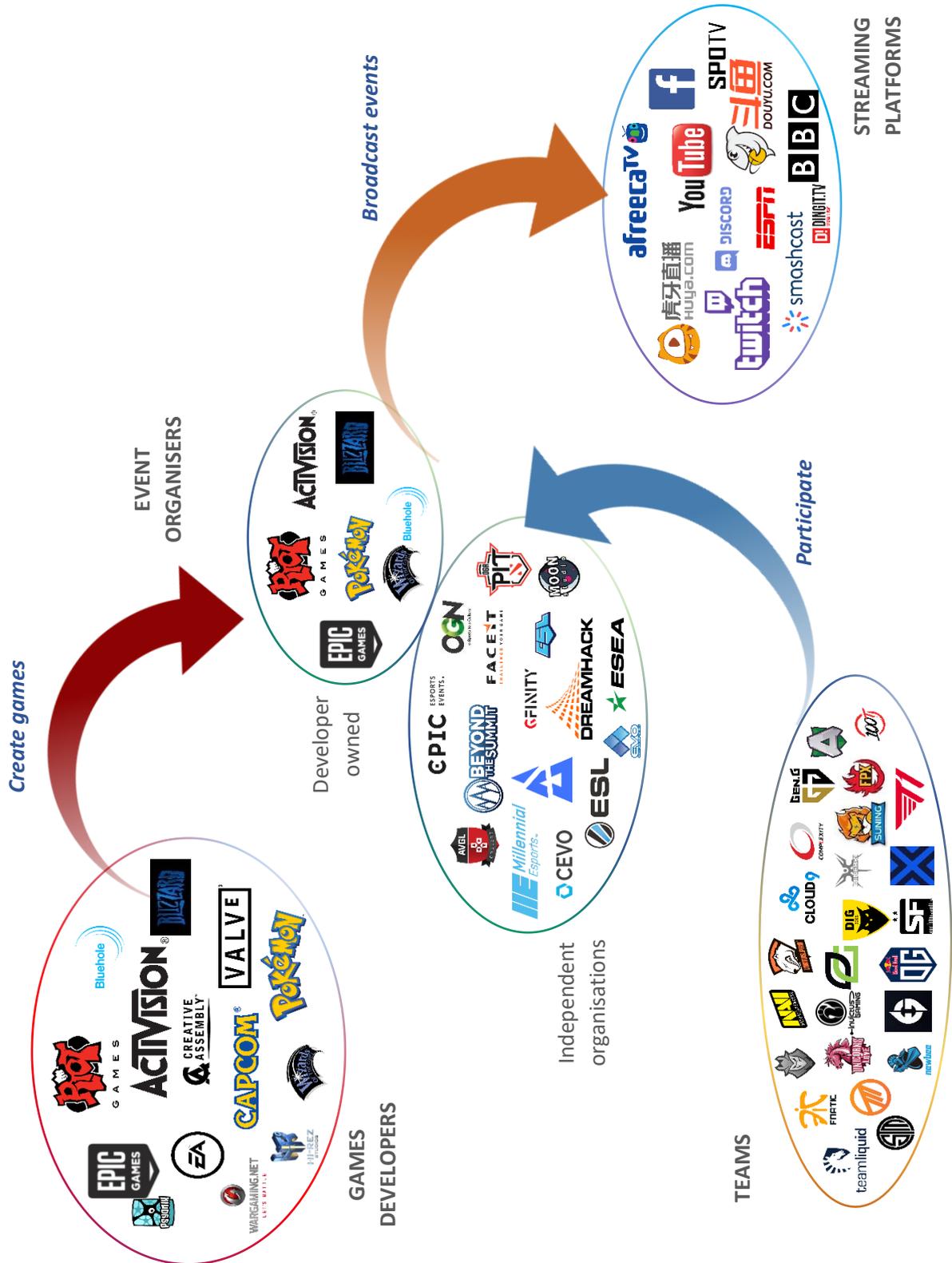


Figure 1 Key players in esports (each image is credited to the respective organisation)