



WHITEPAPER SERIES

# eSports

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## Whitepapers in This Series

eSports: An Emerging Industry

eSports: Business Models

eSports: Valuing a Team



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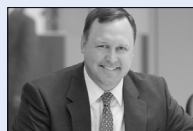
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Esports is a rapidly growing industry that has attracted the attention of high-profile investors and the general public alike. Recent eSports tournaments have drawn viewership numbers that have exceeded average viewership for the NBA Finals, the World Series, and the Stanley Cup Finals combined. Also aiding the expansion of the eSports industry is investment by famous investors such as Jerry Jones and Mark Cuban.

Against this backdrop, we take a close look at the eSports industry through the lens of valuation. Valuation of a company involves three primary factors: risk, growth, and cash flow. Esports is a relatively new industry that hasn't matured yet. As a young industry, there is both risk and growth potential. The industry has not yet proven that it has a sustainable, cash flow generating business model.

# eSports: An Emerging Industry

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eSports is a rapidly expanding industry that has drawn viewers and investments alike. The introduction of streaming platforms as well as the improvement in mobile technology has allowed the industry to grow from its arcade hall beginnings in the 1970s to competitors streaming games to millions of viewers globally. In addition to being highly visible (192 million frequent viewers in 2017), the eSports industry is also lucrative (\$906 million projected industry revenue in 2018).

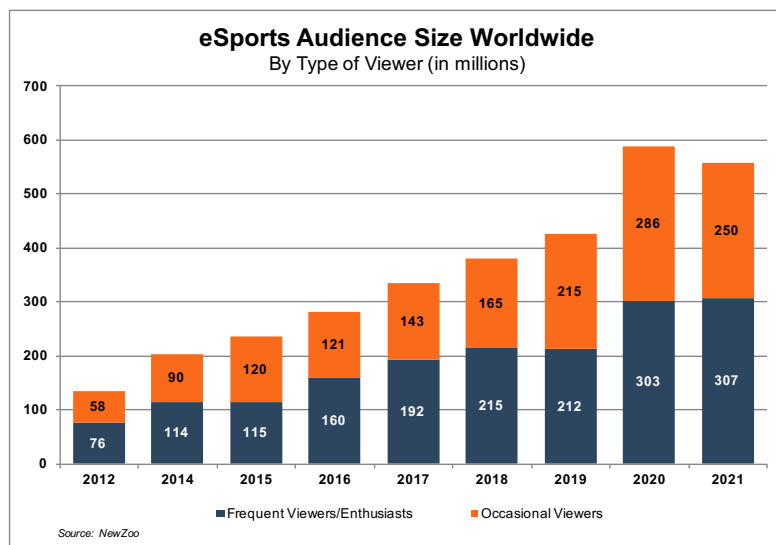
## The History of eSports

Sprouting from humble beginnings, researchers trace the roots of the eSports industry to informal competitions held at video game arcades in the 1970s. One of the first breakthroughs came in 1980 when Atari's National Space Invaders Championship drew 10,000 participants across the U.S. As a spectator sport, eSports first took off in South Korea, when cable networks broadcast StarCraft tournaments in the early 2000s. By 2004, StarCraft stadium events in South Korea drew 100,000 fans. In the U.S., **the coming of age moment** arrived in 2013 when 13,000 people flooded the Staples Center to watch the world championship final of League of Legends.

## A Growing Audience

The eSports industry has experienced rapid growth in recent years. According to data from **Newzoo**, an eSports researcher, the global eSports audience totaled 204 million in 2014. Approximately 56% (114 million) were considered frequent viewers/enthusiasts while the remaining 44% (90 million) were categorized as occasional viewers. By 2017, the global audience grew to 335 million, a compound annual growth rate of approximately 36% and the viewership ratio was approximately the same (57% categorized as frequent viewers/enthusiasts and 43% as occasional viewers).

The number of frequent viewers grew at a compound annual growth rate (CAGR) of 36% from 2014 to 2017 and is projected to grow at a CAGR of 12.5% to 2021. By comparison, occasional viewers grew at a CAGR of 35% from 2014 to 2017 and are projected to grow at a CAGR of 15% to 2021.



## Livestreaming Platform

The primary delivery method for eSports is **Twitch**, a livestreaming video platform owned by Twitch Interactive, a subsidiary of Amazon. Twitch was introduced in 2011 and, as of February 2018, the platform has 2 million monthly broadcasters and **15 million daily active users**. Twitch operates like traditional television in that the broadcasters can be “channels” that are not necessarily broadcasting 24/7, differentiating it from on-demand platforms like YouTube and Netflix.

Twitch is unique in its ad revenue model, which supports the live-streaming aspect of the platform. The top 17,000 streamers, which include professional eSports players, participate in an **ad-revenue-sharing program**, where the players, not Twitch, decide in real time when the ads run during their streaming sessions. For example, a top eSports player might practice on Twitch and draw thousands of viewers then when the player takes a quick break, he asks viewers to watch an ad. **Despite encroaching competition from YouTube**, Twitch out-streams other platforms and, given its momentum, it continues attracting sponsors to reach the growing audience.

## eSports Tournaments and Viewership

Like traditional sports, eSports have occasional tournaments that draw big audiences. In 2017, the **Intel Extreme Masters (IEM)** in Katowice, Poland drew **46 million unique viewers**. IEM featured three games with a **total prize pool of \$688,750**. This viewership figure was exceeded only by the Super Bowl, which drew **111.3 million U.S. viewers** in 2017.

By comparison, the 2017 baseball World Series had average viewership of **18.7 million U.S. viewers** over seven games. Therefore, the average viewership of the 2017 World Series would rank 14th on a list of world-wide eSports tournaments ranked by viewership from 2012 to 2017. The 2017 NBA Finals, which featured the Golden State Warriors against the Cleveland Cavaliers for the 3rd year in a row, averaged **20.4 million U.S. viewers** over a five game series. The 2017 Stanley Cup Final trailed the other three major sports with average viewership of 4.6 million in the U.S. over six games.



The 2017 Stanley Cup Final trailed the other three major sports with average viewership of 4.6 million in the U.S. over six games.

To underscore the growing popularity of eSports, the combined average viewership of the championship series for three of the major sports in the United States was less than the viewership for one eSports tournament (IEM) in 2017.

The large tournament viewership has attracted the attention and dollars of global brands. Coca-Cola sponsors the League of Legends World Championship, one of the largest global eSports competitions.

To support the growing demand, investments in eSports sponsorships will continue to rise.

Since 2006, Intel has sponsored Intel Extreme Masters alongside the Electronic Sports League (ESL), the longest running eSports tournament in the world. To support the growing demand, investments in eSports sponsorships will continue to rise.

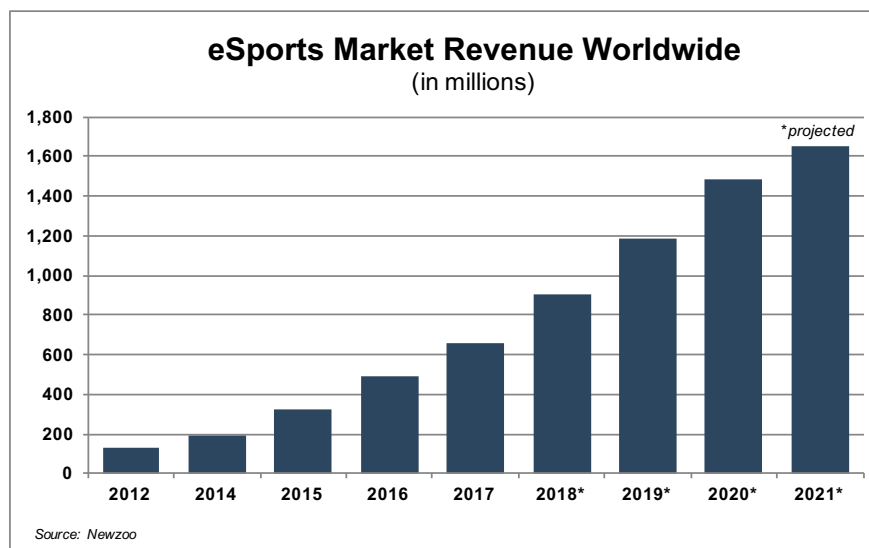
## New Game Releases

Since its introduction on July 25, 2017, **Fortnite** has become a global phenomenon. As of June 3, 2018, Fortnite ranked as the top game watched on Twitch with **4.43 million hours watched**. Counter-Strike: Global Offensive ranked second with 2.7 million hours watched (approximately 40% less hours watched than Fortnite). Other games ranking in the top 10 include: League of Legends, Dota 2, IRL, PlayerUnknown's Battlegrounds, Overwatch, Hearthstone, Path of Exile, and FIFA 18. Releases of new games can attract viewers to those games. A challenge for Twitch broadcasters is to be up-to-date on new games so that viewers don't get bored with older games.

## Growing Revenue

Newzoo defines industry revenue as the amount generated through the sale of sponsorships, media rights, advertising, publisher fees, tickets, and merchandising. Global eSports revenues are projected to reach **\$906 million in 2018**. North America is projected to account for approximately 38% (\$345 million) of global eSports revenue in 2018. Global revenue for eSports is projected to reach \$1.65 billion in 2021.

Despite the tremendous growth, eSports fan spending is lower than traditional sports. According to Newzoo, eSports enthusiasts spent an average of \$3.64 per person compared to basketball fans who spent an average of \$15 per person. The primary factor for this gap is that eSports content is largely available for free and **spending on merchandise remains relatively small**.



# eSports Industry Transactions

## Stack Sports Transactions

Originally named BlueStar Sports, **Stack Sports** began in April 2016 with the goal of transforming youth sports. With this goal in mind, Stack has acquired 20 companies as of July 2018 in order to provide a variety of services. Services provided by Stack Sports include league and competition management, athlete and team solutions, event solutions, brand advertiser solutions, and payment solutions. The company's various tools include building team websites, online registration for leagues and tournaments, and software that analyzes game day video.

The accompanying chart was compiled using data from **Crunchbase** and shows Blue Star/Stack acquisitions from May 2016 to February 2018.

### Stack Sports Acquisitions

Acquired Organization	Announce Date
Goalline	5/16/16
RaceWire	12/22/16
Bigfoot Hoops	5/8/17
GroupNet Solutions	5/17/17
Student Sports	6/2/17
Amazing Race Timing	7/17/17
On The Mark Sports	7/17/17
Rogue Multi-Sport	7/17/17
Global Apptitude	7/19/17
RegattaCentral	8/31/17
Eclipse Timing	2/20/18
eCamps Sports Network	2/20/18
CrazyRaise	2/20/18
Skyhawks	2/20/18
TEAMINN	2/20/18

*Source: Crunchbase - Blue Star Sports*

## Unikrn Acquires ChallengeMe.gg

**Unikrn** is a Seattle based eSports betting startup. Founded in 2014 as a platform for eSports betting, Unikrn has since added hosting physical tournaments to its services. Mark Cuban, owner of the Dallas Mavericks is among the investors in the company.

**ChallengeMe.gg** is an eSports matchmaking service headquartered in Berlin, Germany. While an exact dollar amount was not disclosed, Unikrn CEO Rahul Sood said it was “**a multi-million dollar acquisition.**”

## Nazara Technologies Acquires 55% Stake in Nodwin Gaming

Headquartered in Mumbai, **Nazara** aims to create a full eSports system including competitive online and offline play, localized leagues, and global events. **Nodwin Gaming** was started in 2014 and has exclusive rights for ESL (Esports League) in India, the Intel Extreme Masters qualifiers for India, and the Electronic Sports World Cup India Qualifiers. **In acquiring a majority stake in Nodwin**, Nazara hopes



to leverage Nodwin's relationships to create an Indian eSports ecosystem. India's eSports audience is still developing with only 2 million enthusiasts and an additional 2 million occasional viewers according to market researchers Frost & Sullivan and Newzoo.

## Unity Technologies Buys Multiplay for \$25.2 Million

**Multiplay** is a division of UK-based Game Digital. Multiplay provides server hosting for games such as Titanfall 2, Day Z, Rocket League, and Rust. The **terms of the deal** provide that **Unity** pay \$22.7 million at the time of acquisition (November 2017) and \$2.5 million in July 2019. The Multiplay division includes a digital business and an eSports and events business.

## Other Investments into Team Sponsorships

The growth of eSports has attracted the attention from high profile investors. For example, in November 2017 Jerry Jones along with John Goff acquired the eSports team **Complexity**. Complexity was founded in 2003 by Jason Lake and currently competes in six games: CS GO, DOTA 2, Call of Duty, Rocket League, HearthStone, and Gwent. Complexity will move facilities to The Star, which also houses the Dallas Cowboys World Headquarters in Frisco, Texas.

Magic Johnson and motivational speaker Tony Robbins partnered acquire ownership interest in **Team Liquid**, an eSports team based in Santa Monica, California. Another former Laker, Shaquille O'Neal is a co-owner of **NRG eSports**. The teams mentioned above compete with other eSports teams from around the world in various tournaments held throughout the year.

## Conclusion

Esports is a relatively new industry with potential. Advances in streaming and mobile technology have allowed the industry to expand in recent years. Newzoo projects the global eSports audience will be approximately 557 million in 2021, a compound annual growth rate of 14.4% from 2016. In addition to a growing global audience, Newzoo projects global revenue for the eSports industry to reach \$1.65 billion by 2021, a CAGR of 27.4% from 2016.

The potential growth has drawn interest from a wide range of investors as approximately 84% of 2021 global revenue is projected to be from brand investments such as media rights, advertising, and sponsorship.

# eSports: Business Models

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There are a variety of ways for eSports teams to generate revenue. In this whitepaper we discuss business models that eSports teams may use. Esports is a developing industry, as such there is not a single standardized business model. Additionally, eSports operate at the intersection of pro-sports and technology which makes for a unique opportunity for teams planning their business models.



## How an eSports Team Makes Money

An eSports team can make money in a variety of ways, including broadcast revenue, sponsorships, merchandise sales, and subscriptions. The sources of revenue are detailed in Figure 1.

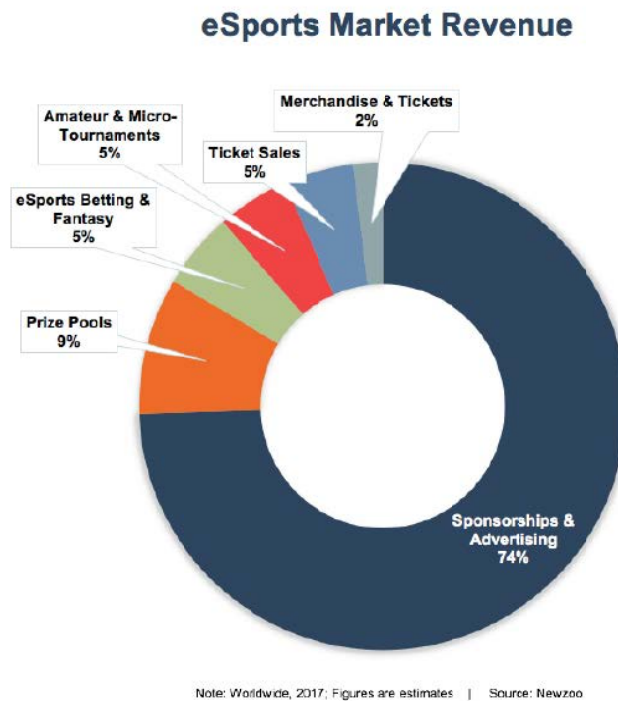


Figure 1

### Sponsorships

As shown in Figure 1, sponsorships and advertising account for the bulk of revenue for eSports. According to Patrik Sättermon (**Fnatic's** Chief Gaming Officer), "[I]t is estimated that around 95% of the money generated by our eSports teams comes directly from **sponsorship deals**." The novelty of eSports has attracted many well-known sponsors; however, teams have struggled to make sponsorships a sustainable source of revenue. The relatively short life of popular games proves to be an impediment to sustained sponsorship. A game might be highly popular currently but within a year fade from public interest.

### Estimated Number of eSports Sponsorships

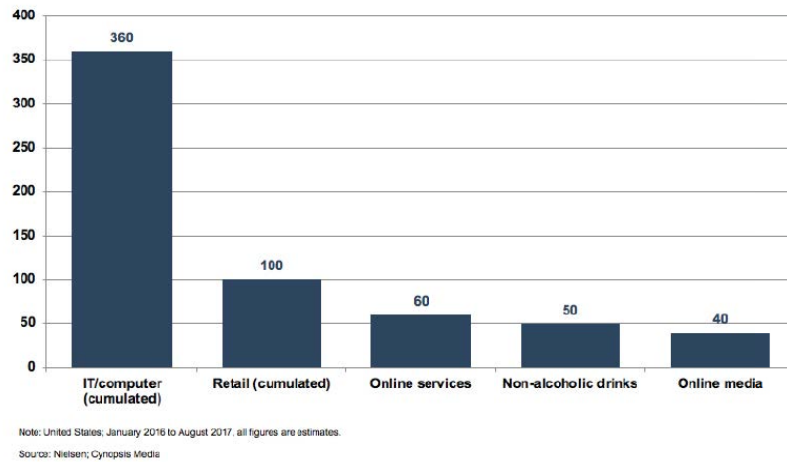


Figure 2

IT/Computer related sponsorships are the most common in the eSports industry as gaming equipment and accessories are prominently displayed during events. For example, HP and Intel **agreed to sponsor** Activision Blizzard’s Overwatch League. As part of the agreement, competitors will exclusively use HP’s OMEN gaming PCs and displays.

From a valuation perspective, consistent recurring revenue is a benefit to the value of a company. Sponsorships can provide long-term recurring revenue to an eSports teams.

From a valuation perspective, consistent recurring revenue is a benefit to the value of a company.

### Broadcast Revenue

eSports broadcasting on TV is still in its infancy as broadcasters look for eSports content that will appeal to their target demographics. **ELEAGUE**, an eSports content and live tournament brand, has a broadcasting deal with TBS that shows Street Fighter V and Counter Strike: Global Offensive (“CS:GO”) on TV. The recently formed **Overwatch League** (“OWL”), will be **broadcast on the ESPN, Disney, and ABC family of networks**. Perhaps most importantly, a broadcast TV deal does not cancel existing distribution agreements such as broadcasts on **Twitch** that were already in place.

While game developers and league creators are able to come to broadcast agreements, it is more difficult for eSports teams. eSports teams generally do not share in broadcast revenues as those agreements are negotiated between game developers/league creators and the broadcasting entities.

## Merchandise Sales

As mentioned in [our eSports industry overview](#), consumer spending on eSports merchandise remains **relatively low**. eSports teams offer apparel, accessories, and gaming equipment through their team websites. From a valuation perspective, merchandise sales can be a source of supplemental income. However, merchandise sales would not have a significant impact on the valuation of an eSports team because the revenue tends to be small and non-recurring.

## Prize Money

Prize money typically does not go to eSports teams, but rather, to individual team members who are competing. While the team does not receive the money, being successful in tournaments is a good way to generate brand awareness.

As the eSports industry expands, so have prize pools for tournaments. In August 2018 Vancouver hosted *The International 8* – the eighth annual **Dota 2 championship tournament**. The total prize pool of \$24.8 million sets the record for **largest single tournament prize pool in eSports history**. The International prize pool compared to other notable sports events from 2018 is presented in Figure 3.



Source: ESPN

Figure 3

Perhaps the most interesting note from the \$24.8 million prize pool for The International is that approximately 94% was crowdfunded. Every-day Dota 2 players purchased Battle Passes that offer event-exclusive features and rewards. One-fourth of each Battle Pass was **added to the prize pool**.

## Naming Rights

Team Liquid officially opened a new training facility March 7, 2018, in Santa Monica, California. The facility not only provides a dedicated practice area for Team Liquid members but also houses the company's content production team, 1UP Studios. **"Teams in the [U.S.] have traditionally operated out of 'gaming houses' where players and coaching staff for a team live and practice in a single residential home."**

The development of a dedicated training facility represents a shift away from the current model. The training facility has provided another stream of revenue for **Team Liquid as they were able to sell naming rights** to the facility to gaming PC brand Alienware for \$4.5 million. Team Liquid's CEO Steve Arhancet indicated the **team spent over \$1.5 million in building the training facility**.

Generally speaking, eSports teams owning their training facilities is a recent trend. As eSports continue to grow, it is likely we will see more sales of naming rights for facilities.

## Successful Teams

Figure 4 shows the top teams based on prize money earned as well as four other notable teams.

Top Team Profiles					
Team Name	Prize Money Earned (USD)	Tournaments Entered	Owner/Notable Personnel	Headquarters	Top Games
Team Liquid	\$23,291,569	1,373	Axiomatic	Utrecht, Netherlands	Dota II (75% of Prize money)
Evil Geniuses	\$20,626,966	708	GoodGame Agency (owned by Amazon)	San Francisco, CA	Dota II (87% of Prize money)
Team OG	\$17,562,205	48	NA	Europe	Dota II (winner - The International 2018)
Newbee	\$12,803,467	127	Wang Yue	China	Dota II (98% of Prize money)
Virtus.pro	\$11,467,233	410	ESforce Holding (Alisher Usmanov)	Russia	Dota II (67% of Prize money)
Fnatic	\$11,303,007	774	Sam and Anne Matthews	London, England	CS:GO (31% of Prize money)
Vici Gaming	\$9,259,850	245	Lu Wenjun; Jeremy Lin owns two sub-teams	Shanghai, China	Dota II (85% of Prize money)
LGD Gaming	\$8,692,242	118	Pan Jie; Partnered with PSG Soccer team in 2018	Shanghai, China	Dota II (95% of Prize money)
SK Telecom T1	\$8,563,432	211	SK Telecom	South Korea	League of Legends (75% of Prize money)
Other Notable Teams					
OpTic Gaming	\$6,815,468	260	Infinite Esports & Entertainment (Parent); Neil Leibman, Hector Rodriguez	Dallas, TX	Call of Duty (41% of Prize money)
Team EnVyUs	\$5,756,830	301	Mike Rufail	Dallas, TX	CS:GO (38% of Prize money)
Luminosity Gaming	\$2,995,695	230	Steve Maida	Los Angeles, CA	CS:GO (46% of Prize money)
compleXity Gaming	\$2,853,216	450	Jason Lake, Jerry Jones, Goff Capital	Frisco, TX	Dota II (29% of Prize money)

Sources:  
<http://database.esportsobserver.com/earnings-team>  
<https://www.esportsearnings.com/teams>

Figure 4

## Subscriptions

Luminosity Gaming ranked number 29 in terms of prize money earned among eSports teams. However, Luminosity also boasts arguably the most well-known eSports player in the world, Tyler Blevins (aka Ninja). Ninja recently revealed that he makes **\$500,000 per month** from his more than 160,000 paid Twitch subscribers. On Twitch, streamers net \$3.50 per subscription, which costs subscribers \$5.00 per month. Twitch subscribers receive access to exclusive badges and ad-free streams.

Having high-profile players on the roster can increase the visibility of an eSports team and therefore lead to more followers and eventually subscribers. Subscriptions are another source of recurring revenue for a team.

## Costs of Revenue

As with any business, there is a cost to generating revenue. eSports teams get most of their revenue from sponsorships. In order to attract sponsors, teams must perform well at tournaments and events as well as be highly visible to consumers. Typical expenses for an eSports team include player salaries, administrative personnel salaries, player housing expenses, training facility rent or operating expense, and equipment/accessory expense.

In 2017, Jerry Jones acquired an ownership interest in Complexity Gaming. Shortly thereafter, the team was moved to The Star in Frisco. The Star happens to be the Dallas Cowboys World Headquarters. **The plan** is for Complexity to build a “state-of-the art operations center and global headquarters including offices, production studios, and industry leading training facilities.”

Complexity are not the only team to take advantage of common ownership with another pro sports team. In April, Team Dignitas **spent time with Philadelphia 76er trainers and nutritionists** in order to prepare for the Intel Extreme Masters in Poland.

eSports teams with a significant amount of recurring revenue are less risky than teams that have less consistent revenue sources.

## The Takeaway

There are numerous ways for an eSports team to make money. In general, the most common source of revenue is sponsorships. In order to increase sponsorships eSports teams need to perform well in the tournaments they enter. Merchandise sales, prize money, and broadcast revenue are other ways eSports teams can make money. Most eSports teams have similar expenses so profitability of a specific team usually depends on performance at the top line.

Chris Mercer, founder of Mercer Capital, states the two primary factors in the value of a business are **risk and growth**. eSports teams with a significant amount of recurring revenue (through sponsorships, subscriptions, etc.) are less risky than teams that have less consistent revenue sources (prize money, merchandise sales). The less risky an entity, the greater the value of that entity.

## eSports: Valuing a Team

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The value of a company is generally dependent on three factors: risk, growth, and cash flow. Esports teams have an abundance of risk as well as growth potential. Considering eSports is a relatively new industry, the growth potential is huge. At the same time, and for the same reason, there is significant risk in the industry – it is too early to know if there is a proven, sustainable, cash flow generating business model.



## Risk

Sustainability is one of the key risk factors for eSports teams. Viewer interest in games changes rapidly as new games are released. For the week of September 4, 2017, PLAYERUNKNOWN'S BATTLEGROUNDS ("PUBG") was the most viewed game with 112,741 average Twitch viewers. League of Legends (94,940) and Hearthstone (58,427) completed the top three. One year later, for the week of September 3, 2018, Fortnite led the way with 163,303 viewers while Counter-Strike: Global Offensive (129,580), and League of Legends (109,210) completed the top three. Hearthstone dropped to 36,849 average Twitch viewers for the week and PUBG dropped to 33,877 **average Twitch viewers**. Tracking viewership trends and competing in games that are popular is an important skill for teams that want to maintain relevance. Team Liquid's CEO, Steve Arhancet, **indicated the team looks for** multiplayer games that have a thriving competitive community and are enjoyable to watch and play. Game publishers are another source of risk for eSports teams. The soon to be started Overwatch League ("OWL") has a total buy-in price of \$20 million split among its 20 teams. The high up-front cost to participate in the league has made some teams avoid the league.

Sustainability is one of the key risk factors for eSports teams.

Esports teams also have risks related to their players. Since eSports is not yet an established industry, there is not a set protocol for player contracts that allows teams to keep players for a long period of time. In addition, eSports teams must consider team dynamics when assembling a roster much like other professional team sports such as basketball, football, or hockey. If an eSports team does not have chemistry, it is unlikely they will perform at a high level. Frisco, Texas based eSports team CompLexity **cited roster instability** as a reason they dropped their Overwatch team.

## Growth

As shown in the chart below, the industry has been growing rapidly over recent years.

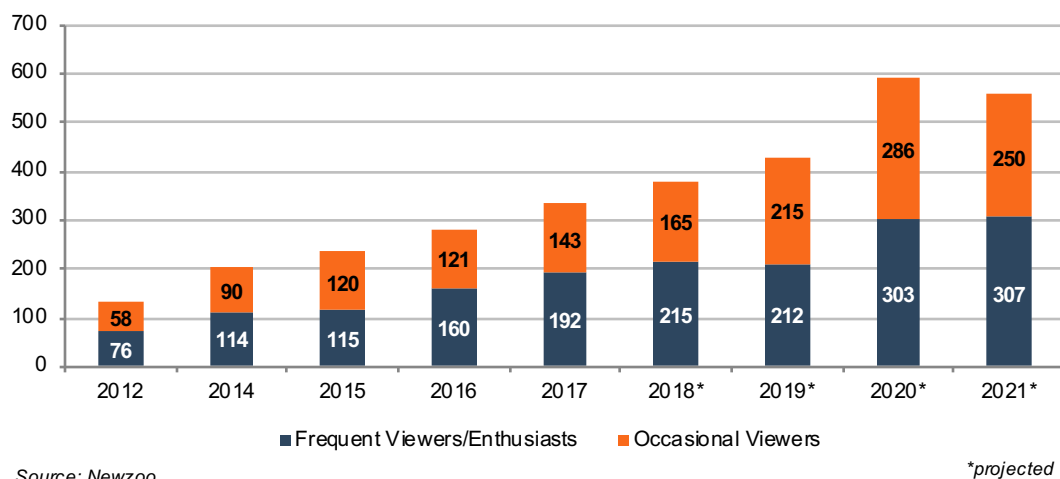


Figure 1: eSports Audience Size Worldwide by Type of Viewer (in millions)

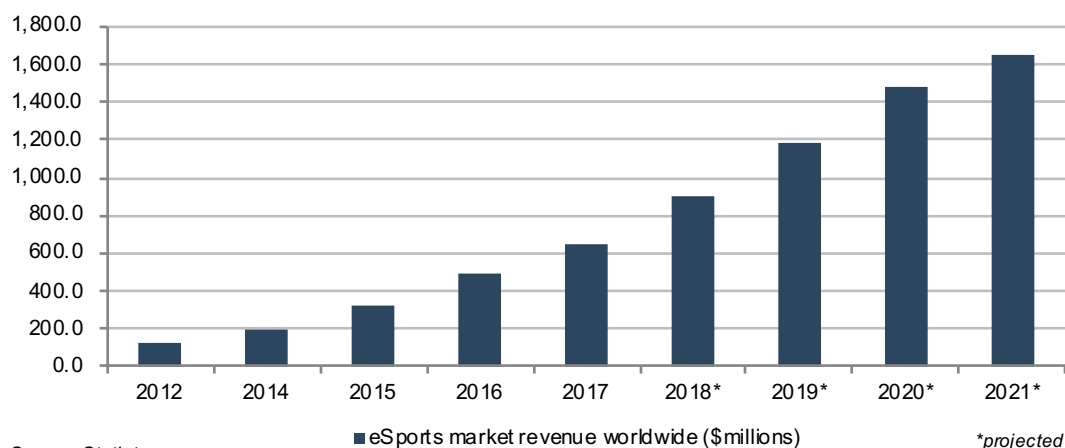
Esports industry research firm **NewZoo projects** 380 million total viewers in 2018, with 57% of those classified as frequent viewers/enthusiasts and 43% classified as occasional viewers. The compound annual growth rate of total viewers is projected to be 13.55% from 2017 to 2021.

Another area where growth can be observed is the prize pool for major eSports tournaments. For example, The International 8, held in 2018 **set a record** for the largest single tournament prize pool in eSports history for the fifth consecutive year at \$25.5 million. Prior iterations of The International had **prize pools** as shown in Figure 2. The compound annual growth rate of the prize pool from 2014 to 2018 was 24%.

The International - Prize Pool History	
Tournament	Total Prize Pool
The International 2018	\$25,532,177
The International 2017	\$24,787,916
The International 2016	\$20,770,460
The International 2015	\$18,429,613
The International 2014	\$10,931,105

**Figure 2**

Newzoo defines industry revenue as the amount generated through the sale of sponsorships, media rights, advertising, publisher fees, tickets, and merchandising. **Global eSports revenues are projected** to reach \$906 million in 2018. North America is projected to account for approximately 38% (\$345 million) of global eSports revenue in 2018. As shown in Figure 3, global revenue for eSports is projected to reach \$1.65 billion in 2021.



**Figure 3: eSports Market Revenue Worldwide (\$millions)**

# Cash Flow

Mercer Capital's "eSports Business Models" shows how eSports teams make money and the costs of revenue associated with those income streams. Generally speaking, eSports teams have the following sources of revenue: sponsorships, broadcast revenue, merchandise sales, prize money, and naming rights. Costs of revenue include: player salaries, administrative personnel salaries, player housing expenses, training facility rent or operating expense, travel costs, and equipment/accessory expense. In broad terms, cash flow is calculated by subtracting operating expenses from total revenue.

Revenue can have different tiers of riskiness. For example, recurring revenue from sponsorships and subscriptions is less risky than merchandise sales or prize money. All else equal, teams with a higher ratio of recurring revenue to non-recurring revenue are considered less risky than a team with more non-recurring revenue than recurring revenue. Teams with lower risk cash flow are considered more valuable than teams with riskier cash flow.

## Valuing an eSports Team

There are three approaches to value that are used or considered in any valuation. The three approaches to value are the cost approach, the income approach, and the market approach. This section walks through how an eSports team would be valued using each approach. Usually, valuation firms weight indications from each approach to arrive at a final conclusion of value.

### Cost Approach

The cost approach is applied by adjusting the subject entity's assets and liabilities to market value. Liabilities are then subtracted from assets to arrive at net asset value. A typical eSports team would have mostly intangible assets such as players. Tangible assets would be training facilities or team headquarters owned by the team. The cost approach, in many instances, would be weighted lightly, if at all, because it does not fully account for intangible assets.

### Income Approach

The income approach is applied by calculating the cash flow either for a single period or for a projected multi-year period. At this stage, multi-year projections that account for potential growth will be the most common method employed. Capitalization at this point would be less likely to be used as growth has not stabilized within the industry. The risk and growth factors that would be considered for an eSports team will be the linchpin to reasonably and properly measuring value. For an operating eSports team, the income approach would most likely be the heaviest weighted indication in a conclusion of value.

In general, eSports teams will likely be valued using their historical and projected cash flows in the income approach.

## Market Approach

The market approach is similar to the income approach in that some element of cash flow is capitalized by some factor. However, in the market approach the capitalization factor is estimated using multiples indicated by public companies or transactions of private companies in the same or similar lines of business as the subject company. The market approach could be difficult to apply to an eSports team because, even though teams operate in the same general industry of eSports, there are many unique factors to each team. Within the market approach, cash flow, the capitalization factor(s)/multiple(s), or both may be adjusted based on how the subject team compares to the teams selected in the market approach. As the industry matures and more transactions occur, the market approach will develop alongside the industry.

## Conclusion

In summary, eSports teams are valued using three methods: the cost approach, the market approach, and the income approach. Each of the methods considers three primary factors: risk, growth, and cash flow. Each eSports team is unique and there is no single formulaic way to value a team. However, in general, eSports teams will likely be valued using their historical and projected cash flows in the income approach. As the industry develops and matures there will be more transactions within the industry which will allow the market approach to become a more widely used tool.



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