

October 6, 2020

Price (as of close on  
October 5, 2020)**\$4.35**

Rating

**BUY Long-term**

12- Month Target Price

**\$7.00**

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# Esports Entertainment (GMBL)

Newly-public Esports Entertainment (GMBL) offers the most versatile and transparent wagering platform in the \$3.6 billion esports gambling market. We initiate coverage with a Buy Long-term rating and a \$7.00 price target.

52-Week Range	\$2.40 – 9.75	Total Debt (million)	\$0
Shares Outstanding	11.2 million	Total Debt/Equity	0%
Insider/Institutional	5.6% / 1.04%	ROE (TTM)	NM%
Public Float	7.2 million	Book Value/Share	\$1.01
Market Capitalization	\$54.6 million	Daily Volume (90-day avg)	367.4k

FYE June	2020A	2021E		2022E	
EPS(\$)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 Sept		\$(0.22) E		\$(0.09) E	
Q2 Dec		(0.13) E		(0.07) E	
Q3 March		(0.08) E		(0.06) E	
Q4 June		(0.05) E		(0.02) E	
<b>Year*</b>	<b>\$(1.50) A</b>	<b>\$(0.48) E</b>		<b>\$(0.24) E</b>	

FYE June	2020A	2021E		2022E	
Revenue (\$ mil.)	ACTUAL	CURRENT	PREVIOUS	CURRENT	PREVIOUS
Q1 Sept		\$0.30 E		\$5.0E	
Q2 Dec		2.5 E		6.0E	
Q3 March		4.5 E		6.5E	
Q4 June		5.7 E		7.5E	
<b>Year</b>	<b>\$0.0A</b>	<b>\$13.0E</b>		<b>\$25.0E</b>	
Change				92%	

- Numbers may not add up due to rounding.

## INVESTMENT THESIS

- The esports fan base is expanding rapidly and expected to reach 590 million by 2022; global gross revenues are estimated at \$3.6 billion.
- Esports Entertainment is well-positioned to capture market growth. It has online gambling licenses in nearly 150 jurisdictions, a best-in-class wagering platform, hundreds of marketing affiliate partnerships and a management team with deep industry experience.
- The company added UK and Irish gambling licenses through a July acquisition and acquired its first US license in August through a partnership with a New Jersey casino operator.
- Esports Entertainment has nearly \$12 million of cash to fund acquisitions, platform development and tournament hosting. Management is guiding for FY:21 revenues of \$13 million.
- We initiate coverage with a Buy Long-term rating and a \$7.00 price target, which assigns a six-times multiple to FY:21 projected revenues.

## RISKS

- The company has accumulated net losses and may be years away from generating operating profits on a consistent basis.

## INVESTMENT THESIS

**Esports Entertainment Group (GMBL)** is an emerging leader in the rapidly expanding multi-billion-dollar market for online gambling and esports wagering. Esports is a relatively new segment of online gambling consisting of competitive video game playing by individuals and/or teams for cash prizes. The company has developed an innovative wagering platform that offers betting enthusiasts better odds and greater transparency in a secure, online environment and added a best-in-class customer loyalty program through its July acquisition of Argyll Entertainment. Esports Entertainment was already able to accept online wagers from fans in Canada, Japan, Germany and South Africa and recently secured a Malta gaming license that extends its reach into nearly 150 jurisdictions, including a number of European Union member countries.

The Argyll Entertainment acquisition also provided Esports Entertainment with UK and Ireland gambling licenses and some 200,000 registered online players. A gambling license in New Jersey has been secured via the company's partnership with Twin Rivers Worldwide Holdings (TRWH). This partnership provides an initial US foothold that Esports Entertainment plans to expand into more states.

### Exhibit 1: Three-Tiered Strategy

Esports Entertainment Group: *Three Pillar Strategy*

- Esports Entertainment Group (GMBL) is a Nasdaq-listed company operating in three key verticals; 1) esports entertainment, 2) esports wagering, 3) iGaming and traditional sports betting.
- Esports Entertainment Group is uniquely well-positioned to take advantage of two emerging mega-trends in consumer entertainment, 1) the explosion of esports and video game consumption, particularly amongst younger millennials and Gen Z, 2) the expansion of legal online gambling throughout the US.

NASDAQ: GMBL

Recent Price	\$3.87
Market Cap	\$44.98M
Shares Outstanding	11.2M
Float	2.3M

As of September 8, 2020

Esports Entertainment

-EGL operates both online and live leagues and tournaments for gamers. The company is known in the industry for producing well-attended, ticketed events sponsored by leading endemic and non-endemic partners.

-The company monetizes its live events through 1) sponsorships, 2) streaming broadcast rights, 3) advertising, 4) tickets, 5) other revenue such as merchandise and food and beverage.

Esports Wagering

-GMBL intends to be a leader in the growing sector of Esports entertainment and real-money wagering.

-The company's VIE.GG platform offers fans the ability to wager on all professional Esports events for real money in a licensed and secure environment.

-Malta and Curacao gaming licenses (covers 149 jurisdictions globally); UK and Ireland license through Argyll Entertainment; NJ license pending

iGaming + Traditional Sports Betting

-In April 2020, GMBL became the first US-based iGaming company to list on the NASDAQ.

-In July 2020, GMBL acquired Argyll Entertainment, a licensed online gambling company in the UK and Ireland with > 100K registered users and \$12 mil in revenue in 2019.

-Argyll operates under the brands SportNation and Redzone.bet.

*Source: company presentation*

In April Esports Entertainment became the first US-based iGaming company to list on the NASDAQ. The company's robust growth prospects are supported by the following:

- **Massive esports audience and favorable demographics.** The fan base for esports is expanding rapidly and expected to reach 590 million by 2022. Audience growth has been especially strong this year due to the coronavirus lockdown, which has put traditional sports on pause and attracted millions of new fans to online esports tournaments and events. Advertisers and sponsors have been quick to embrace esports as well, not only because of audience size, but also due to attractive demographics. The average esports fan is young (approximately 26 years of age), relatively

affluent (1/3 have incomes exceeding \$90,00) and geographically diverse. Even non-endemic (i.e. products or services not related to esports) brands have begun sponsoring these events. Past sponsors of Esports Entertainment events have included Red Bull, KFC, Microsoft, Lenovo, Activision and Konami, among others.

- **Highly skilled management team.** The company’s management team has deep online gambling, IT and esports experience. CEO Grant Johnson has led the company since 2013 and CFO Daniel Marks previously served as CFO of Argyll Entertainment for five years.
- **Wagering platform advantage.** Esports Entertainment has developed a proprietary online wagering platform that offers better odds and greater transparency than competitor platforms as well as a gambling experience that feels intuitively fairer. The company plans to transition its recently acquired Argyll business to its in-house platform, a move that will generate over \$1.0 million of annual cost savings.
- **Gambling license worldwide, first US license secured.** The company secured a gaming license from the Malta Gaming Authority in May that enables it to accept wagers on its website from residents of nearly 150 jurisdictions. The Malta license for online pool betting has a 10-year term and is renewable. The recent acquisition of Argyll Entertainment gives Esports Entertainment gambling licenses in the UK and Ireland and over 200,000 registered users.

## Exhibit 2: Key Investment Appeals



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Source: company presentation

In August, the company partnered with Twin Rivers Worldwide Holdings (TRWH) to launch its proprietary mobile sports betting product in the state of New Jersey. The New Jersey license has a 10-year term and is renewable. In addition to New Jersey, Twin Rivers operates sportsbooks in Rhode Island, Colorado, Delaware and Mississippi. Partnering with TRWH on these additional licenses could quickly establish the company’s foothold in other US states.

- **Hundreds of marketing affiliate partnerships.** Esports Entertainment has marketing affiliate partnerships with over 170 professional esports teams and over 600 influencers and other groups. These arrangements help the company tap into the team’s existing fan base and minimize costs for online advertising. One of the company’s most important marketing partners is Dignitas, an esports brand owned by Harris Blitzer Sports and Entertainment (HBSE). Dignitas fields professional teams in five of the most popular esports games. Esports Entertainment has secured naming rights to Dignitas’ popular CS:GO professional sports team and plans to roll out digital and live events this year to market the team and its participation in esports tournaments. In August the company partnered with Allied Esports to host the inaugural “Counter-Strike: Global Offensive (CS:GO) Legend Series” tournament on the company’s online platform, putting its brand in front of thousands of teams, fans and influencers.
- **Three pillar strategy.** Esports Entertainment has a growth strategy that focuses on three verticals – esports entertainment, esports wagering and iGaming and traditional sports betting. This multi-pronged approach allows the company to capitalize on two important mega-trends, namely, the explosion of esports and video game consumption, particularly among millennials, and the expansion of legalized online gaming.

The company expects to initially generate the majority of revenues from iGaming and traditional sports betting, with esports entertainment (tournaments and leagues) and esports wagering becoming a catalyst for longer-term growth as the esports industry matures. Esports Entertainment has provided initial guidance for FY:21 revenues of approximately \$13 million and FY:22 revenues of \$25 million, assuming no additional acquisitions.

## **BUSINESS OVERVIEW**

### **Esports Gaming Industry**

Esports entails competitive video game playing by amateur or professional teams for cash prizes, often watched as a spectator event. The three most popular esports games are *Dota 2*, *League of Legends*, and *Counter Strike: Global Offensive*, but games such as *Smite*, *StarCraft II*, *Call of Duty*, *Heroes of the Storm*, *Hearthstone* and *Fortnite* are also popular with players.

Participation in esports competitions has surged in recent years due to the rapid growth of online streaming. Online streaming technology has made esports a global industry in which professional players and teams compete in major tournaments that are simultaneously watched by millions of viewers. The robust growth of esports gaming has become apparent to video game developers, who are building competition features into their new games.

Major professional and some amateur esports events are being broadcast live on streaming services such as twitch.tv, azubu.tv, ustream.tv and youtube.com. Esports games are also played in multiplayer competitions on Sony PlayStation, Microsoft Xbox and Nintendo Switch systems.

### **Growing Worldwide Audience**

The audience for Esports is massive and growing, estimated to exceed 590 million by 2022. COVID-19 has been a catalyst to esports growth due to traditional sporting events being put on hold during the pandemic lockdown. This was evidenced by an explosion in esports viewership during April (the first full month of the lockdown) when an estimated 1.8 billion hours of esports content was viewed on Twitch.tv, up 125% year-over-year. Recognizing esports appeal to college age fans, more than 80 US colleges have already begun offering esports scholarships

Enthusiasm for esports is not exclusive to North America. According to Newzoo, a global leader in esports, games and mobile intelligence, the number of people worldwide who are aware of esports is estimated to exceed 1.8 billion, with China representing over 500 million potential fans. Audiences in Latin America, the Middle East, Africa and Asia are also expanding rapidly as a result of improving IT infrastructure and urbanization in the developing countries.

### Exhibit 3: The Esports Opportunity

Understanding the Esports Opportunity

**What is Esports?**

- Esports is organized competitive video gaming that is watched as a spectator event.
- During COVID-19 lockdowns, Esports have exploded in popularity. In April alone, 1.8 bil hours of content were watched on Twitch (up 125% yoy).
- Over 80 U.S. colleges now offer Esports scholarships

**\*\*Despite the vast amount of eyeballs, Esports remain dramatically under-monetized relative to traditional sports\*\***

**Esports Worldwide Audience Size (millions)**

Year	Audience Size (millions)
2017	335
2018	395
2019	454
2020	518
2021	580
2022	644

Esports Tournament Prize Purses are Bigger than Most Traditional Sports Purses

 <b>FORTNITE</b> \$100M	 <i>The International</i> \$34M	- VS -	 <b>MASTERS TOURNAMENT</b> \$11M	 <b>us open</b> \$50M
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Major Sporting Events Audience Sizes

	98M
	490M
	14M

Source: NewZoo

Source: company presentation

### Attractive Demographics

Advertisers are embracing esports marketing opportunities, not only because of the sheer number of fans, but also due to favorable demographics. Esports fans are typically young, digitally native and affluent. The average Esports fan is 26 years old, according to Nielsen data, and much younger than traditional sports fans who tend to be in their mid-50s. Many esports fans also have above-average income, with over 30% reporting annual incomes exceeding \$90,000. Another characteristic attractive to advertisers is the global diversity of the fan base. Roughly 18% of esports fans come from Europe, 14% from the US and Canada, and over 50% from Asia Pacific.

At present, advertisers encounter many roadblocks trying to reach millennials through traditional broadcast and print channels due to the prevalence of cord-cutting and usage of ad blockers by this demographic. Esports allows advertisers to reach gamers on the digital platforms they frequent such as Twitch.tv and YouTube. In addition, the rise of new franchises such as Player Unknown's Battlegrounds (PubG) is attracting new fans and exponentially increasing esports advertising and sponsorship opportunities.

## Esports Wagering

Esports wagering began primarily through unregulated “gray” sites, but it is now migrating to regulated platforms. Zion Market estimates the current size of the global online gambling market exceeds \$45.8 billion and projects it will reach \$94.4 billion by 2024. Assuming an 8% hold and \$45 billion market, global gross revenues associate with esports wagering are estimated to exceed \$3.6 billion.

### COMPETITIVE ADVANTAGES

Esports Entertainment’s competitive advantages include the following:

**Management team with deep iGaming expertise.** The company’s managers and directors include individuals with extensive experience in online gambling, esports, IT, compliance, regulation, accounting and finance. Esports Entertainment’s executive team have backgrounds in online gambling, esports, IT, marketing, business development, payment processing, compliance, regulation, accounting, finance and customer service.

**Innovative online wagering technology.** The company’s online wagering platform provides a first mover advantage by offering fans the widest variety of betting options available for esports wagering, as well as the best odds and superior transparency in a secure online environment. Through the acquisitions of Flip and Argyll, the company is able to add new features to its platform such as micro-betting, bonus and in-gaming betting.

The acquisition of Argyll also provides the company with an industry-leading customer loyalty program that has been driving above-industry customer retention rates and player lifetime values. Win, lose or draw, every bet on the site earns points that can be redeemed at its “Rewards Store”. This program helped earn Argyll the Innovative Start-up of the Year award at the 2018 EGR Marketing & Innovation Awards. Esports Entertainment plans to leverage this award-winning loyalty program across all of its verticals.

In December Esports Entertainment plans to launch a proprietary next-generation platform that it developed in-house. The new platform offers even more payment options and provides a richer, multi-functional experience capable of accommodating both sports fans and wagering enthusiasts. The new platform also allows for the development of fantasy options such as skins (i.e. digital assets used by gamers to gain a competitive advantage such as upgraded game weaponry). The superior functionality of the company’s new wagering platform will create a formidable barrier to entry for new competitors.

**Hundreds of affiliate marketing partners.** Esports Entertainment has secured Affiliate Marketing Agreements with over 170 professional esports teams and over 600 influencers and other groups. Teams participating in its affiliated marketing program link their team website to Esports Entertainment’s gaming site so that fans visiting the site can wager on the team’s performance in esports tournaments. Affiliate partners receive a percentage of the winning bets made through the link and share directly in the revenues generated from their referrals. Partners are also paid a fee based on the revenue generated from their fan base.

These arrangements are a win-win for both Esports Entertainment and its partners. The company minimizes its costs for online advertising by tapping into the team’s existing fan base, which can include millions of fans. One of the company’s most important affiliate partners is Dignitas, an esports brand owned by Harris Blitzer Sports and Entertainment (HBSE). HBSE owns the New Jersey Devils, the Philadelphia 76ers and the Crystal Palace. Dignitas fields teams in five of the esports segment’s most popular games (League of Legends, Counter-Strike: Global Offensive, Super Smash Bros., Rocket League, and Clash Royale) and has over 9.0 million registered fans.

Esports Entertainment expanded this partnership in August to include naming rights to Dignitas' popular CS:GO professional sports team. The partners plan to roll out digital and live events this year to build name recognition for the team and its esports tournaments. This partnership also helps Esports Entertainment expand its brand in Europe through its association with the CS:GO esports team, which hails from Scandinavia.

## Exhibit 4: Exports Entertainment Wagering Platform

Introducing GMBL's Esports Assets

### VIE.GG Wagering Platform

- Esports betting began primarily through unregulated sites but it is now migrating to regulated operations. EEG provides a safe, compliant platform and our Nasdaq listing provides full transparency through SEC filings.
- Malta and Curacao gaming licenses (covers 149 jurisdictions globally); UK and Ireland license through Argyll Entertainment; NJ license pending
- On 8/11 EEG signed an LOI to acquire FLIP Sports Limited, a mobile games studio whose proprietary in-play, peer-to-peer technology, provides a unique multi-platform second-screen experience for sports fans and wagering enthusiasts
- Over 100K registered players through Argyll Entertainment.

- Mobile optimized platform
- Easy to access payment options
- Strong user-interface

### EGL Tournament Platform

- EGL operates both online and live leagues and tournaments for gamers. The company is known in the industry for producing well-attended, ticketed events sponsored by leading endemic and non-endemic partners.
- The company monetizes its live events through 1) sponsorships, 2) streaming broadcast rights, 3) advertising, 4) tickets, 5) other revenue such as merchandise and food and beverage.
- In 2019 EGL hosted 22 live events, with an average revenue per event of 61K Euros.

Past EGL Sponsors and Advertisers

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*Source: company presentation*

**Successful tournament sponsorships.** Esports Entertainment partnered with Allied Esports in August to host the inaugural "Counter-Strike: Global Offensive (CS:GO) Legend Series" tournament on the company's platform. The tournament featured 12 teams from various European countries competing online for €50,000 (approximately \$65,000) in prize money. The tournament was broadcast live on Twitch.tv by professional broadcasters and esports analysts.

The two-week tournament drew 1.7 million unique viewers and generated over 1.0 million hours watched, making it the most-watched Legend Series event since the tournament series was created three years ago. The number of new users registering on the company's gaming site increased 400% and customer deposits rose 300% during the two weeks of the tournament.

During 2021 the company anticipates partnering with Allied Esports to run tournaments on a monthly basis and also adding new tournament titles to its mix.

Tournament sponsorships put the company's brand in front of thousands of teams, fans and influencers. The Legend Series was already one of Allied Esports' most successful original tournament brands, and hosting the tournament on the Esports Entertainment platform introduced a wagering component that enticed new fans and created new sources of revenues.

In addition to affiliate marketing programs and tournament sponsorship, Esports Entertainment plans to build its brand by recruiting celebrities and social media influencers interested in gaming as pitchmen,

promoting its business on Facebook, Twitter, Instagram, Snapchat, YouTube and similar platforms, and investing in online ads, paid search optimization and other tools to drive traffic to its website.

## Exhibit 5: Strategic Partnerships

### Key Strategic Partnerships

ESports ENTERTAINMENT GROUP

<div style="text-align: center;"> </div> <ul style="list-style-type: none"> <li>Signed multi-year partnership with Dignitas, one of the most iconic and recognizable brands in esports and owned by Harris Blitzler Sports and Entertainment (HBSE).</li> <li>Other HBSE assets include the New Jersey Devils, Philadelphia 76ers, and the Crystal Palace.</li> </ul>	<div style="text-align: center;"> </div> <ul style="list-style-type: none"> <li>Allied Esports was named to Fast Company's World's Most Innovative Companies list for 2019, Allied Esports is a premier esports entertainment company with a global network of dedicated esports properties and content production facilities.</li> <li>EEG will be the title sponsor of the inaugural VIE.GG CS:GO Legend Series Tournament.</li> </ul>
<div style="text-align: center;"> </div> <p style="font-size: x-small; margin-top: 10px;"> <b>HBSE Co-Founders:</b>  <b>Josh Harris</b> - Co-Founder and Senior Managing Director of Apollo Global Management  <b>David Blitzler</b> - Global Head of Blackstone's Tactical Opportunities group         </p>	<div style="text-align: center;"> </div> <ul style="list-style-type: none"> <li>Leading independent corporate finance and equity capital markets adviser specializing in online gaming.</li> <li>Akur will help EEG with our aggressive M&amp;A strategy, targeting successful iGaming operators that have gambling licenses in strategic jurisdictions.</li> </ul>

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Source: company presentation

## GROWTH STRATEGY

Esports Entertainment plans to grow via acquisitions, expanding its products and services, and broadening its geographic footprint in the US and internationally.

**Acquisitions.** In August, Esports Entertainment signed a letter of intent to acquire **Esports Gaming League (EGL)**, a fast-growing UK-based esports business serving gamers in Europe, the Middle East, and the Americas. EGL organizes live and online events and tournaments where gamers compete in a variety of esports and video games on a proprietary technology platform with over 350,000 registered users. EGL monetizes its live events via: 1) sponsorships, 2) streaming broadcast rights, 3) advertising, 4) sales of tickets, and 5) sales of merchandise, food and beverages. The company hosted 22 live events last year and generated revenues per event averaging 61,000 euros (approximately \$71,400).

EGL generated approximately \$1.3 million in revenue in 2019 and experienced triple-digit growth. Through this acquisition, Esports Entertainment will gain a complementary online platform, a large established user base and strong existing advertising partner relationships. Past EGL sponsors have included Red Bull, KFC, Microsoft, Lenovo, Activision and Konami.

In July the company acquired LHE Enterprises, which owns online sportsbook and casino operator **Argyll Entertainment**. Argyll launched its flagship brand [www.sportsnation.bet](http://www.sportsnation.bet) three years ago and more recently added the [www.RedZone.bet](http://www.RedZone.bet) and [www.uk.Fansbet.com](http://www.uk.Fansbet.com) websites. The company holds gambling licenses in the UK and Ireland and had an established base of more than 200,000 registered payers that last year generated \$12 million in revenues. Argyll provides Esports Entertainment with access to



exclusive, proprietary sports and gaming content (including its www.sportnation.bet brand) and an award-winning rewards program that has been a major contributor to Argyll's revenue growth.

In September, Esports Entertainment acquired assets of **FLIP Sports Entertainment** that include staff and intellectual property. FLIP brings to the company an experienced development team with specific expertise in gambling, existing customized software and additional revenues. Esports Entertainment is transitioning its wagering system platform to FLIP's platform and anticipates launching on the new platform in December.

Future acquisitions are likely to focus on businesses that offer proprietary technologies with a clear path to revenues and/or entities that provide new players, licenses and revenues. The company is looking at other potential acquisition candidates from both the iGaming and esports space. iGaming acquisitions are likely to focus on European businesses that are already EBITDA-positive and/or profitable. Esports acquisitions are more likely to be smaller businesses not yet generating profits.

**Expand products and services.** Esports Entertainment plans to offer players from around the world the ability to compete in online video gaming tournaments for cash prizes. The company anticipates launching online video gaming tournaments, initially utilizing simple games and later migrating to more complex video games, under its own brand, beginning in FY:21.

Online esports tournament play consists of two or more people playing against each other in a game from their personal phones or computers. These events could be held over the course of a day, a week or even a month, with the winner being the player or team who achieves the best score or fastest time. Cash-based tournaments involving games of skill are not considered gambling in most US states and are thus not subject to the same laws and regulations as esports event wagering. The company anticipates collecting a tournament entry fee and a percentage of the total winning paid out (typically 10%) for its tournament hosting services. These tournaments will also help the company determine those markets having the greatest numbers of esports players. This data should help reduce customer acquisition costs as tournament viewers become potential customers for the company's wagering platform.

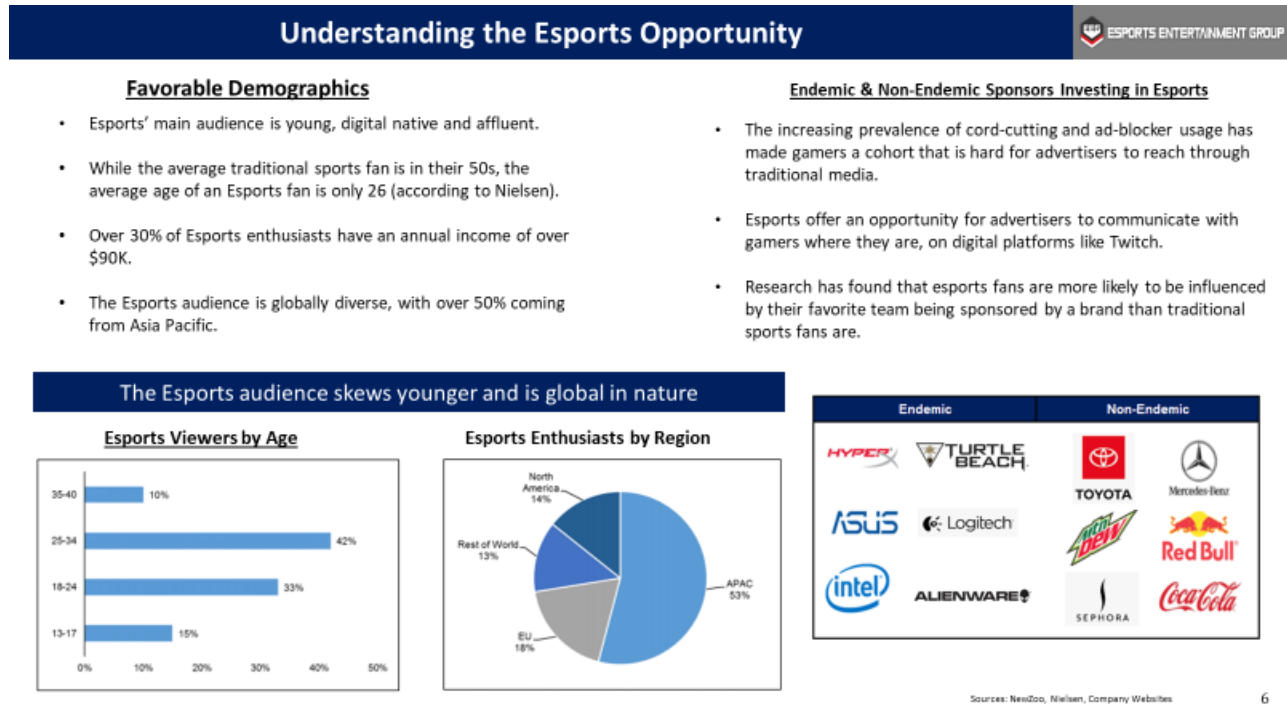
**Geographic expansion.** At present, the company can accept wagers from fans in nearly 150 jurisdictions, and Esports Entertainment is partnering with Twin Rivers Worldwide Holdings (TRWH) to establish a foothold in New Jersey, opening the door to additional US markets. A new wholly-owned subsidiary, GMBL New Jersey, has been formed that will pursue gambling licenses across the US from its base of operations in New Jersey. US online gambling licenses will be secured on a state-by-state basis through partnerships with established US casino and race track owners.

The company plans to offer esports services in 41 US states where skill-based gambling is legal. Regarding online wagering, eight US states currently allow online wagering and 14 states are considering the legalization of online sports betting. Momentum to legalize online wagering is likely to increase next year as states emerge from the coronavirus lockdown and seek to replenish depleted revenues. States that have passed legislation over the past year that permits online sports betting include Illinois, Michigan, Tennessee and Virginia. State gambling license can cost upwards of \$1 million so Esports Entertainment plans to use its tournament platform to assess which states give the best traction and then acquire licenses in those states.

Asia is the world's largest gambling market; over the next few years, the company anticipates applying for online gambling license in some Asian countries. Esports Entertainment director Chul Woong Lim provides the company with valuable insights regarding opportunities in the Asian esports market; he formerly served as Secretary General of the International e-Sports Federation (IeSF) based in Seoul, managing relationships with 47 national federations, international sports authorities, and global partners, in addition to organizing and operating the esports World Championship and other international esports tournaments.

South Korea, Taiwan and Vietnam are among the countries considering the legalization of online wagering and mainland China may represent a longer-term opportunity if it loosens its stance on online gambling. China has a large and growing esports fan base with millions of Chinese citizens already streaming esports tournaments.

## Exhibit 6: Favorable Demographics of Esports Enthusiasts



Source: company presentation

## COMPETITORS

The online gambling and wagering industry is intensely competitive with few barriers to entry. Esports Entertainment's competitors include Unikrn, bet365, William Hill, Betway, and Pinnacle Sports, and new competitors enter the esports wagering and video game tournament segments on an ongoing basis. Esports Entertainment is differentiated from competitors by its proprietary platform and its multi-pronged strategy, which focuses on offering a full suite of esports services and video gambling products. Most competitors focus on delivering a single product.

The company's proprietary wagering platform also creates a wide moat by offering players the best odds available from wagering on esports events. It also supports brand authenticity via a multi-functional platform that addresses both esports fans and esports wagering enthusiasts.

## Third-Party Provider Agreements

Esports Entertainment has agreements with the following third-party providers:

**Money Matrix** provides software that enables the company to receive payments from players. At present, players can select from over 150 payment options (i.e. Skrill, Astropay, etc.) to deposit funds for wagers.

**Partner Matrix** furnishes software that allows Esports Entertainment to track players placing bets through links that affiliate partners put on their team website.

**Askott Entertainment** has been supplying website hosting, e-games and development and IT services to the company. In December Esports Entertainment plans to transition to its own proprietary wagering platform, and also migrate Argyll to its new platform, which is expected to produce over \$1 million of annual cost savings.

**SB Tech Global.** The Argyll Brands use the SB Tech platform to host their websites, and pay a percentage on both sportsbook and casino gross gaming revenues, as well as certain hosting and data feed fees.

## HISTORY

The company was formed in Nevada in July 2008 as Virtual Closet, then changed its name to DK Sinopharma in 2010. DK Sinopharma changed its name to VGambling, in August 2014 and became Esports Entertainment Group in April 2017. From May 2013 until August 2018, the company's operations focused on designing, developing and testing its wagering systems. Its online esports wagering website launched in August 2018.

## OFFICERS AND DIRECTORS

**Grant Johnson** (59) has served as Esports Entertainment's CEO and Chairman since 2013. From 2007 to 2013, he served as a business consultant advising several development-stage companies. From 2003 to 2007, Mr. Johnson was co-founder, President, COO and a Director of Swiss Medica Inc., a US publicly traded nutraceutical products manufacturer and marketer. From 2000 to 2003, Mr. Johnson was founder, President, CEO and a Director of Healthnet International, a US publicly-listed online marketer of nutraceutical products. From early 1996 to 1999, Mr. Johnson Served as Vice President of Starnet Communications International and Softec Systems, a market leader in the B2B sector of the online gambling industry. Mr. Johnson holds a BA degree in economics and history from the University of Western Ontario in Canada.

**Daniel Marks** (41) serves as the company's CFO and a Director. Mr. Marks entered the gaming industry in 2016 when he became CFO of Argyll Entertainment. He brings to the company over 20 years of senior management experience in online gambling and corporate banking. From 2014 to 2016, he was CFO for Large and Mid-Market Corporates for HSBC, North America, a British multi-national bank. From 2008 through 2014, Mr. Marks held various financial and operational leadership roles, including COO for UK Coverage at Barclays plc. He holds an undergraduate degree from the University of Bristol, UK.

**Stuart Tilly** (42) is the company's Chief Legal Officer. Mr. Tilly has over 15 years of experience in the online gaming industry and has been involved in several online gaming companies, holding positions such as Founder and CEO, Chief Legal Officer and Non-Executive Director and board member. From 2016 through 2020, he served as CEO of Argyll Entertainment. From 2014 to 2020, he was also Founder and CEO of Flip Sports Limited. From 2012 to 2016, he was Founder and Executive Director of iGaming Counsel, a legal and commercial advisory firm serving the online gaming industry. From 2005 to 2012 he held senior legal positions in the online gaming industry. He is also a founding member of the International Social Games Association, an industry trade group for the social gaming industry, and a non-executive advisor to Game Sparks Limited, a games platform-as-a-service company. He has a law degree from the University of Exeter and an LPC Master's Degree from Nottingham Trent Law School.

**John Brackens** (39) has served as CTO of Esports Entertainment since September 2019. Mr. Brackens has over 12 years of experience in IT senior management following a 4-year career leading customer experience teams. He was previously involved with five organizations in the gaming industry, holding positions that include COO, Treasurer, Foreign Director, and Network Operations Manager. From 2018 through early 2019, Mr. Brackens served as the Operations Director for gaming company Carte Blanche Entertainment. From 2016 to 2017, he was COO for Sparkjumpers, a company involved in video game development and eSports tournament events. From January 2014 to January 2016, he was Manager of Network Operations of Activision Blizzard – Demonware, an entertainment company that focused on AAA game development. Mr. Brackens studied Electrical Engineering at Arizona State University.

**Magnus Leppäniemi** serves as VP of Marketing and Head of Esports. He began his career in the gaming industry in 1996 and has sold and managed global esports partnerships for major brands and partners like Intel, BenQ Zowie, Electronic Arts, Activision, ESL, and the NBA. Previously, he served as Global Sales Director for Wehype and Sales Director North America at DreamHack.

**Jeff Cohen** (30) was recently recruited as the company’s VP of Strategy and Investor Relations. He previously worked as an equity analyst at Stephens Inc, a leading Wall Street investment bank, covering the gaming and esports sectors. Prior to that, he was an analyst in Equity Special Situations at Barclays. Mr. Cohen holds a Bachelor’s in Government from Harvard University and an MBA in Finance and Accounting from Columbia Business School.

**Damian Mathews** (61) is an independent director. He brings to the company over 25 years of senior finance experience within the investment management, banking and accounting sectors. Previously, he served as CFO of the Qatar and Abu Dhabi Investment Company (a sovereign wealth fund) from 2014 to 2020. From 2012 to 2014 he was a Director of his own consulting business, NZ Pacific Investments, in New Zealand. From 2009 to 2012 he held senior management positions including General Manager Finance (New Zealand); Head of Finance and Operations Americas (United States); and Head of Change Management (Australia) at Commonwealth Bank of Australia Group. From 2007 to 2008, Mr. Mathews was a Director in Product Control at ABN Amro bank in London. From 2002 to 2006 he held various senior financial controller positions at Royal Bank of Scotland Group in London. From 1998 to 2002 he was an Assistant Vice President at Credit Suisse First Boston investment bank in London and the Bahamas. From 1994 to 1998, he was an Assistant Manager at KPMG accountants in London. He holds a joint honors undergraduate degree in Economics and Politics from the University of Bristol in the United Kingdom and is a fellow of the Institute of Chartered Accountants in England and Wales.

**Chul Woong Lim** (37) is an independent director. He presently serves as Director of Global Business for Loud Communications based in Seoul, South Korea. Between 2014 and 2018 Mr. Lim was the Secretary General of the International e-Sports Federation (IeSF) based in Seoul, South Korea where he managed relationships with 47 national federations, international sports authorities, and global partners, in addition to organizing and operating the eSports World Championship and other international esports tournaments. In 2010 Mr. Lim was Deputy Manager of Sports Marketing at FIRSONS Inc., a Seoul, South Korea-based sports events marketing firm. Mr. Lim received a B.S. in Physical Education from Seoul National University.

**Alan Alden** (57) is an independent director. He has been an advisor to remote gaming companies located in Malta since 2000, and was an advisor to the industry’s first remote gaming companies when he served as the Senior Manager of Enterprise Risk Services at Deloitte & Touche (Malta). In 2006, Mr. Alden established Kyte Consultants Ltd, which specializes in the remote gaming and payment card sectors, to assist companies located in Malta. In 2009, Mr. Alden became a founding director of Contact Advisory Services Ltd, a licensed Company Service Provider (CSP) that offers turnkey service to its customers ranging from company incorporation, to licensing for gaming and financial institutions. Since 2010, Mr. Alden has served as the General Secretary of the Malta Remote Gaming Council. Mr. Alden is a Certified Information Systems Security Professional (“CISSP”) and a Certified Information Systems Auditor (“CISA”). He was also the founding President of the ISACA Malta Chapter between 2005 and 2008. In 2015, Mr. Alden became a Part Time Lecturer on IT Auditing at the University of Malta.

**Warwick Bartlett (73)** is an independent director. He served as Chairman of the Association of British Bookmakers for 10 years, Chairman of the Bookmakers Committee to the Levy Board for six years and held a seat on the Horserace betting Levy Board during the same period. Mr. Warwick is the CEO and owner of Global Betting & Gaming Consultants (GBGC), a well-known consulting firm specializing in the international gambling space.

## **INVESTMENT RISKS**

**History of accumulated deficits and recurring losses.** Esports Entertainment incurred negative cash flows from operations and net losses in fiscal years 2020, 2019 and 2018. At fiscal year-end 2020, the company's balance sheet showed an accumulated deficit of \$20.5 million, up from \$10.2 million one year earlier. If the company is unable to build revenues or obtain additional financing, it may not be able to implement its business plan and/or continue offering its products and services.

**Foreign exchange and currency risk.** The company expects to derive more than 95% of revenues in currencies other than the US and Canadian dollar. Fluctuations in foreign currency exchange rates could have a material adverse effect on the company's business, financial condition and operating results. In the future, Esports Entertainment may enter into forward currency swaps and/or other derivative instruments to help mitigate foreign currency exchange risk.

**Highly regulated industry.** The company and its services are subject to extensive regulation under federal, state, local and foreign laws and the rules and regulations of the jurisdictions in which it does business. Failure to obtain or maintain the necessary registrations, licenses, permits or approvals could adversely impact operations and there is no guarantee that the company will be able to secure gambling licenses in new jurisdictions where its esports customers are located.

**High insider ownership.** The company's officers, directors and 5% shareholders collectively have a controlling interest and 41.5% of the stock. As a result, the risk exists that controlling shareholders could overrule the vote of unaffiliated common shareholders in the event of a conflict of interests.

**Dilution from equity financing.** The company competes in a capital-intensive business and will likely rely on equity or debt financing in the future to fund acquisitions, development projects and its ongoing operations. Existing shareholders may face significant dilution from future equity sales and funding raised through debt financings increases the company's balance sheet risk.

## **FINANCIALS AND VALUATION**

Esports Entertainment expects to generate revenues in three areas: 1) iGaming and traditional sports betting, 2) esports entertainment (tournaments and leagues) and 3) esports wagering. The company anticipates the majority of its near-term growth will come from iGaming and traditional sports betting, which are expanding organically and via acquisitions. Longer-term, Esports Entertainment anticipates that esports wagering will emerge as a primary growth catalyst as this business is scaled quickly from a small base. The company estimates the market opportunity associated with its esports wagering platform at approximately \$180 million, which assumes a 5% share of the \$3.6 billion esports wagering market.

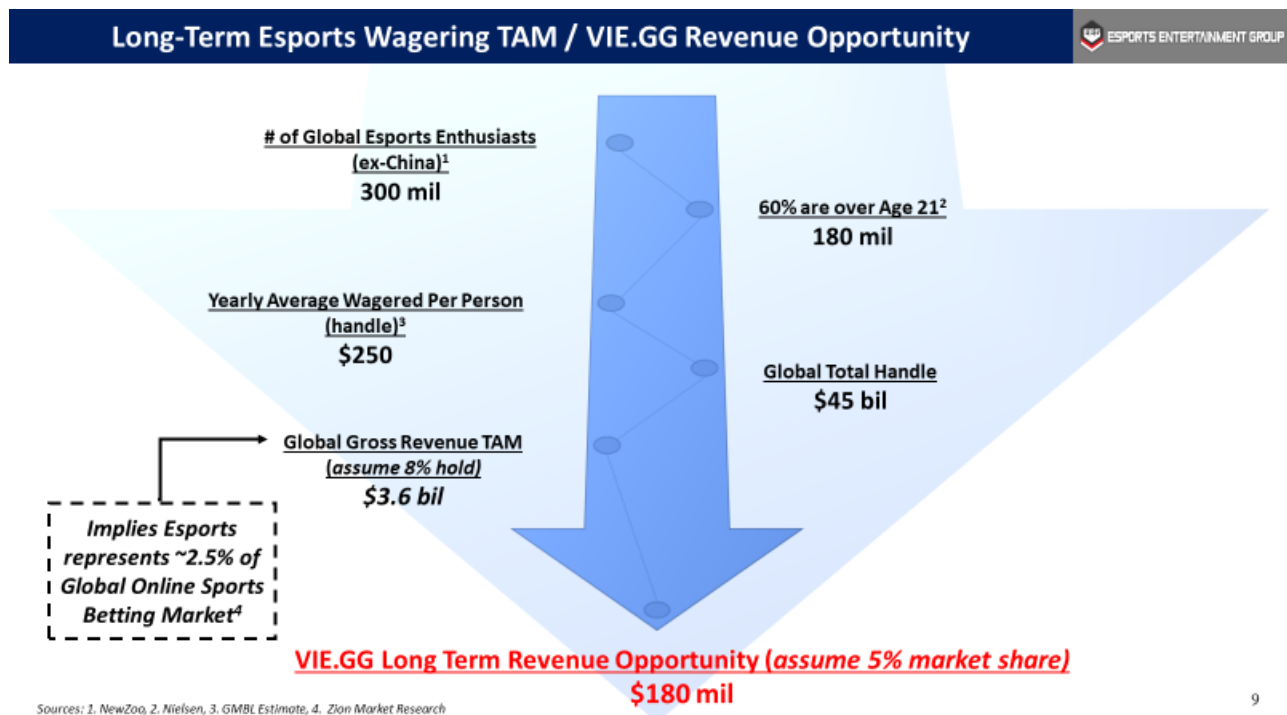
## FY:20 Results

Esports Entertainment generated no revenues in FY:20. The company's general and administrative expenses totaled \$4.05 million last year, up roughly 34% from expenses totaling \$3.01 million in FY:19. The increased spending was the result of increases of \$914k in stock-based compensation, \$206k in wages and benefits, \$227k in consulting and professional fees, \$50k in licenses and related fees, and \$98k in directors fees, offset by decreases of \$184k in information technology-related costs, \$42k in legal costs, \$106k in advertising and promotion costs, and \$127k in other general and administrative costs.

Other expenses totaled nearly \$6.3 million in FY:20, up 88% from \$3.35 million one year earlier, as a result of increases of \$4.95 million in the loss on the change in fair market value of derivative liabilities, \$2.80 million in loss on extinguishment of debt, \$866k in net amortization of debt discount and premium on convertible debt, and a \$67k impairment of intangible assets, which was partially offset by decreases of \$3.6 million in interest expense, a \$1.89 million gain on warrant exchange, and a \$254k gain on settlement of debt.

Esports Entertainment recently provided preliminary guidance projecting FY:21 revenues of \$13 million (acquired via the purchases of Argyll Entertainment and Flip Sports) and 90%+ growth in FY:22 revenues to \$25 million.

### Exhibit 7: Long-term Revenue Opportunity



Source: company presentation

The company anticipates Q1: will be its weakest quarter of FY:21, with quarterly revenues of approximately \$300k, due to a temporary disruption caused by new EU regulations requiring the company to verify the credit quality of online wagering fans. The necessary monitoring systems are now in place and we think quarterly revenues will rise sequentially during the year to \$2.5 million in Q2, \$4.5 million in Q3 and \$5.7 million in Q4, assuming no additional acquisitions.

Esports Entertainment spent approximately \$400k on marketing during fiscal 2020. The company is budgeting FY:21 sales and marketing expense at approximately \$500k per month (\$6.0 million annualized) and general and administrative expenses at approximately \$400k per month (\$4.8 million annualized).

Esports Entertainment’s progress towards positive EBITDA and operating profits will be determined in part by the pace and mix of acquisitions. Some acquisition candidates in the iGaming space are already EBITDA-positive and would accelerate the company’s path towards profitability. Businesses acquired in the esports space are typically at an earlier development stage and EBITDA-negative. At present, the company’s primary focus is growing its business and building market share and revenues.

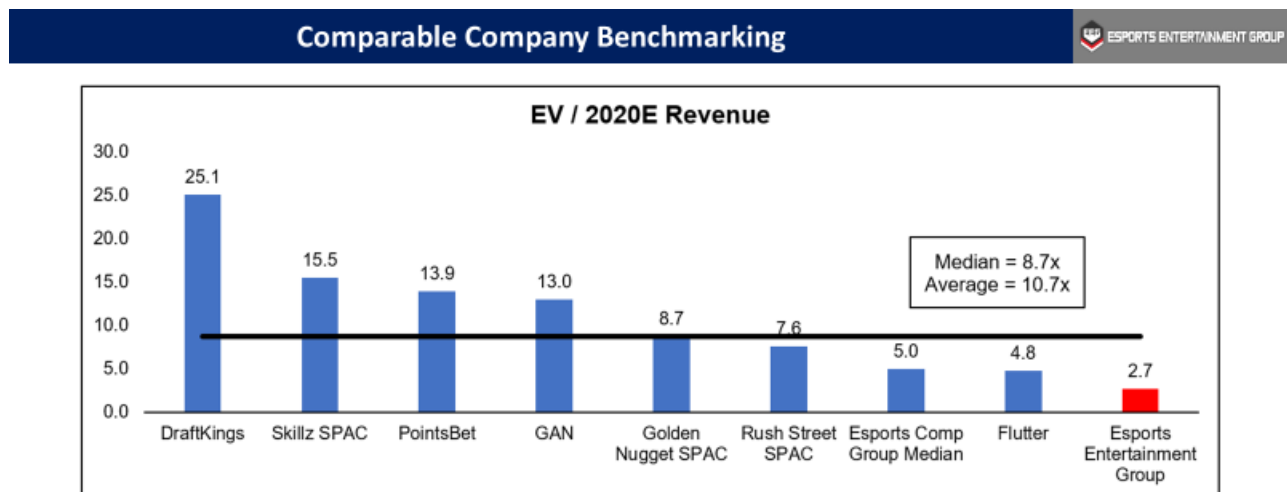
## Balance Sheet

To-date Esports Entertainment has raised gross proceeds of approximately \$15 million from its April IPO and the subsequent exercise of warrants. The company has no long-term debt and approximately \$12.4 million of cash on its fiscal year-end 2020 balance sheet.

## Valuation

Based on FY:21 revenue guidance of \$13 million, GMBL shares were recently trading at 2.7 times Enterprise Value (EV) and a substantial discount to industry peers.

### Exhibit 8: Valuation vis-à-vis Peers



**Esports Entertainment Group (GMBL) trades at a significant discount to pure-play online gambling and Esports competitors despite strong early-mover advantage in the rapidly growing Esports vertical.**

Prices as of 9/8/20

Sources: FactSet Investment Research, Skillz, GNOG, RSI based on proposed SPAC valuations  
 \*GMBL based on management’s FY21 revenue guidance  
 Esports Comp Group = ESLX, TD, SLGG, AESE

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Source: company presentation

Egaming competitor Skillz (FEAC) closed its initial public offering in early September in a transaction that valued its business at \$3.5 billion, or approximately 6.3 times projected 2022 revenues. Applying a similar sales multiple to Esports Entertainment based on projected 2021 revenues of \$13 million would imply an \$82 million market valuation, nearly twice the company's current \$53 million market capitalization. We believe we are being conservative by valuing GMBL shares at six times projected FY:21 revenues. This implies a \$78 million market valuation, a \$7.00 share price and better than 60% upside from the stock's recent \$4.35 price.

Our discounted cash flow model, shown on page 21 of this report, derives a better than \$8.00 price for GMBL shares, using our EBIT forecasts through 2024 and a 7% growth rate thereafter.

We are initiating coverage of GMBL shares with a "Buy- Long-term" rating and a \$7.00 price target.



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There are no company-specific disclosures.

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### **Rating Definitions**

**BUY**, 30% or greater increase in the next 12 months.

**BUY- Long-Term**, near term EPS horizon is challenging, attractive long-term appreciation potential.

**SELL**, 30% or more declines in the next 12 months.

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**Esports Entertainment (GMBL)**  
**Quarterly Results & Estimates**  
*\$ in Millions*

	Fiscal 2020A	2021E				Fiscal 2021E	2022E				Fiscal 2022E
		1QE Sept	2QE Dec	3QE March	4QE June		1QE Sept	2QE Dec	3QE March	4QE June	
Total Revenues	\$ -	\$ 0.30	\$ 2.50	\$ 4.50	\$ 5.70	\$ 13.00	\$ 5.00	\$ 6.00	\$ 6.50	\$ 7.50	\$ 25.00
<b>Revenue Growth</b>	<b>0.0%</b>					<b>NM</b>	<b>500.0%</b>	<b>71.0%</b>	<b>63.0%</b>	<b>67.0%</b>	<b>92.3%</b>
Cost of Goods Sold	\$ -	\$ 0.60	\$ 1.50	\$ 2.70	\$ 3.42	\$ 8.22	\$ 2.75	\$ 3.30	\$ 3.25	\$ 3.75	\$ 13.05
Gross Profit	\$ -	\$ 0.40	\$ 1.00	\$ 1.80	\$ 2.28	\$ 5.48	\$ 2.25	\$ 2.70	\$ 3.25	\$ 3.75	\$ 11.95
<b>Gross margin</b>		<b>40.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>42.2%</b>	<b>45.0%</b>	<b>45.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>47.8%</b>
General & Administrative	\$ 4.05	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 4.80	\$ 1.50	\$ 1.50	\$ 1.60	\$ 1.60	\$ 6.20
Sales & Marketing	\$ -	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 6.00	\$ 1.75	\$ 1.80	\$ 2.00	\$ 2.00	\$ 7.55
R&D Expense	\$ -	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 1.00	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 2.00
Total Operating Expense	\$ 4.05	\$ 2.95	\$ 2.95	\$ 2.95	\$ 2.95	\$ 11.80	\$ 3.75	\$ 3.80	\$ 4.10	\$ 4.10	\$ 15.75
<b>SG&amp;A Margin</b>	<b>0.0%</b>	<b>900.0%</b>	<b>108.0%</b>	<b>60.0%</b>	<b>47.4%</b>	<b>83.1%</b>	<b>65.0%</b>	<b>55.0%</b>	<b>55.4%</b>	<b>48.0%</b>	<b>55.0%</b>
EBITDA	\$ (4.03)	\$ (3.25)	\$ (1.95)	\$ (1.15)	\$ (0.67)	\$ (7.02)	\$ (1.16)	\$ (0.76)	\$ (0.51)	\$ (0.01)	\$ (2.44)
Depreciation, Depletion, & Amortization	\$ 0.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 1.00
Operating Profit	\$ (4.05)	\$ (3.25)	\$ (1.95)	\$ (1.15)	\$ (0.67)	\$ (7.02)	\$ (1.50)	\$ (1.10)	\$ (0.85)	\$ (0.35)	\$ (3.80)
<b>Operating Margin</b>	<b>0.0%</b>	<b>-1083.3%</b>	<b>-78.0%</b>	<b>-25.6%</b>	<b>-11.8%</b>	<b>-54.0%</b>	<b>-30.0%</b>	<b>-18.3%</b>	<b>-13.1%</b>	<b>-4.7%</b>	<b>-15.2%</b>
Interest Expense	\$ -					\$ -					\$ -
Interest & Investment Income						\$ -					\$ -
Impairment of Goodwill											
Other Non-Operating Income (Expense)	\$ (6.30)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pretax Income	\$ (10.35)	\$ (3.25)	\$ (1.95)	\$ (1.15)	\$ (0.67)	\$ (7.02)	\$ (1.50)	\$ (1.10)	\$ (0.85)	\$ (0.35)	\$ (3.80)
Total Income Taxes	\$ (0.00)	\$ (0.78)	\$ (0.47)	\$ (0.28)	\$ (0.16)	\$ (1.68)	\$ (0.33)	\$ (0.24)	\$ (0.19)	\$ (0.08)	\$ (0.84)
Minority Interest											
<b>Net Income</b>	<b>\$ (10.35)</b>	<b>\$ (2.47)</b>	<b>\$ (1.48)</b>	<b>\$ (0.87)</b>	<b>\$ (0.51)</b>	<b>\$ (5.34)</b>	<b>\$ (1.17)</b>	<b>\$ (0.86)</b>	<b>\$ (0.66)</b>	<b>\$ (0.27)</b>	<b>\$ (2.96)</b>
Shares for Basic EPS	6.880	11.200	11.211	11.222	11.234	11.234	11.245	11.256	11.267	11.279	11.279
Shares for Diluted EPS	6.880	11.200	11.211	11.222	11.234	11.234	12.400	12.412	12.425	12.437	12.437
<b>EPS Diluted</b>	<b>\$ (1.50)</b>	<b>\$ (0.22)</b>	<b>\$ (0.13)</b>	<b>\$ (0.08)</b>	<b>\$ (0.05)</b>	<b>\$ (0.48)</b>	<b>\$ (0.09)</b>	<b>\$ (0.07)</b>	<b>\$ (0.05)</b>	<b>\$ (0.02)</b>	<b>\$ (0.24)</b>

**Esports Entertainment (GMBL)**

**Balance Sheet**

\$ in Millions

	Fiscal 2020A	2021 Estimated					2022 Estimated				
		1QE Sept	2QE Dec	3QE March	4QE June	Fiscal 2021E	1QE Sept	2QE Dec	3QE March	4QE June	Fiscal 2022E
Cash & Equivalents	\$ 12.35	\$ 11.12	\$ 9.63	\$ 9.55	\$ 9.65	\$ 9.65	\$ 8.30	\$ 8.35	\$ 8.27	\$ 8.56	\$ 8.56
Prepaid Expenses	\$ 0.26	\$ 0.05	\$ 0.20	\$ 0.30	\$ 0.40	\$ 0.40	\$ 0.75	\$ 0.49	\$ 0.44	\$ 0.53	\$ 0.53
Deferred Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Assets	\$ 0.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Assets</b>	<b>\$ 13.12</b>	<b>\$ 11.16</b>	<b>\$ 9.83</b>	<b>\$ 9.86</b>	<b>\$ 10.05</b>	<b>\$ 10.05</b>	<b>\$ 9.05</b>	<b>\$ 8.84</b>	<b>\$ 8.70</b>	<b>\$ 9.08</b>	<b>\$ 9.08</b>
Fixed Assets	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Long-term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intangible Assets	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Assets	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
<b>TOTAL ASSETS</b>	<b>\$ 13.13</b>	<b>\$ 11.18</b>	<b>\$ 9.85</b>	<b>\$ 9.88</b>	<b>\$ 10.07</b>	<b>\$ 10.07</b>	<b>\$ 9.07</b>	<b>\$ 8.86</b>	<b>\$ 8.72</b>	<b>\$ 9.10</b>	<b>\$ 9.10</b>
Accounts Payable	\$ 0.79	\$ 0.87	\$ 0.63	\$ 1.13	\$ 1.43	\$ 1.43	\$ 1.25	\$ 1.50	\$ 1.63	\$ 1.88	\$ 1.88
Liabilities Settled in Stock	\$ 0.93	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Taxes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.06	\$ 0.06	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Liabilities</b>	<b>\$ 1.74</b>	<b>\$ 0.89</b>	<b>\$ 0.64</b>	<b>\$ 1.15</b>	<b>\$ 1.48</b>	<b>\$ 1.48</b>	<b>\$ 1.25</b>	<b>\$ 1.50</b>	<b>\$ 1.63</b>	<b>\$ 1.88</b>	<b>\$ 1.88</b>
Long Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities	\$ -	\$ 1.08	\$ 1.09	\$ 1.08	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
<b>TOTAL LIABILITIES</b>	<b>\$ 1.74</b>	<b>\$ 1.97</b>	<b>\$ 1.73</b>	<b>\$ 2.23</b>	<b>\$ 2.53</b>	<b>\$ 2.53</b>	<b>\$ 2.30</b>	<b>\$ 2.55</b>	<b>\$ 2.68</b>	<b>\$ 2.93</b>	<b>\$ 2.93</b>
Common Stock	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Additional Paid-in Capital	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80	\$ 31.80
Accumulated Deficit	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)	\$ (20.54)
Retained Earnings	\$ -	\$ (2.07)	\$ (3.15)	\$ (3.63)	\$ (3.74)	\$ (3.74)	\$ (4.51)	\$ (4.96)	\$ (5.23)	\$ (5.10)	\$ (5.10)
Equity to be Issued	\$ 0.12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EQUITY</b>	<b>\$ 11.39</b>	<b>\$ 9.21</b>	<b>\$ 8.12</b>	<b>\$ 7.65</b>	<b>\$ 7.54</b>	<b>\$ 7.54</b>	<b>\$ 6.77</b>	<b>\$ 6.31</b>	<b>\$ 6.05</b>	<b>\$ 6.18</b>	<b>\$ 6.18</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 13.13</b>	<b>\$ 11.18</b>	<b>\$ 9.85</b>	<b>\$ 9.88</b>	<b>\$ 10.07</b>	<b>\$ 10.07</b>	<b>\$ 9.07</b>	<b>\$ 8.86</b>	<b>\$ 8.72</b>	<b>\$ 9.10</b>	<b>\$ 9.10</b>

**Esports Entertainment (GMBL)**

**Cash Flow Statement**

\$ in Millions

	Fiscal 2020A	2021 Estimated					2022 Estimated				
		1QE Sept	2QE Dec	3QE March	4QE June	Fiscal 2021E	1QE Sept	2QE Dec	3QE March	4QE June	Fiscal 2022E
Income Before Extraordinary Items	\$ (10.35)	\$ (2.47)	\$ (1.48)	\$ (0.87)	\$ (0.51)	\$ (5.34)	\$ (1.17)	\$ (0.86)	\$ (0.66)	\$ (0.27)	\$ (2.96)
Depreciation and Amortization	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock Compensation	\$ 1.61	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 1.60	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 1.60
Impairment of Intangible Asset	\$ 0.07	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Amortization Debt Discount Convertible Debt	\$ 1.16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Derivative Liability	\$ 2.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on Extinguishment of Debt	\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-cash Interest Expense	\$ 2.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Warrant Exchange	\$ (1.89)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on Settlement of Debt	\$ (0.25)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ (3.13)	\$ (2.07)	\$ (1.08)	\$ (0.47)	\$ (0.11)	\$ (3.74)	\$ (0.77)	\$ (0.46)	\$ (0.26)	\$ 0.13	\$ (1.36)
Prepaid Expenses - Dec (Inc)	\$ (0.12)	\$ (0.05)	\$ (0.16)	\$ (0.10)	\$ (0.09)	\$ (0.40)	\$ (0.35)	\$ 0.26	\$ 0.05	\$ (0.09)	\$ (0.13)
Other Assets - Decrease (Increase)	\$ (0.17)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable - Inc (Dec)	\$ 0.25	\$ 0.87	\$ (0.25)	\$ 0.50	\$ 0.30	\$ 1.43	\$ (0.18)	\$ 0.25	\$ 0.13	\$ 0.25	\$ 0.45
Other Current Liabilities - Increase (Decrease)	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.06)	\$ -	\$ -	\$ -	\$ (0.06)
<b>Operating Activities - Net Cash Flow</b>	<b>\$ (2.27)</b>	<b>\$ (1.24)</b>	<b>\$ (1.49)</b>	<b>\$ (0.07)</b>	<b>\$ 0.10</b>	<b>\$ (2.71)</b>	<b>\$ (1.35)</b>	<b>\$ 0.05</b>	<b>\$ (0.09)</b>	<b>\$ 0.29</b>	<b>\$ (1.10)</b>
Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisitions	\$ (0.50)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Investing Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Investing Activities - Net Cash Flow</b>	<b>\$ (0.50)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Sale of Common and Preferred Stock	\$ 8.42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Promissary Convertible Note	\$ 1.16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayment of Promssary Convertible Note	\$ (0.23)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from the Exercise of Overallotments	\$ 0.89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from the Exercise of Warrants'	\$ 6.69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Financing Costs	\$ (1.84)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.00	\$ -	\$ -	\$ -	\$ 0.00
<b>Financing Activities - Net Cash Flow</b>	<b>\$ 15.08</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.00</b>
Exchange Rate Effect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net increase (decrease) in cash	\$ 12.31	\$ (1.24)	\$ (1.49)	\$ (0.07)	\$ 0.10	\$ (2.71)	\$ (1.35)	\$ 0.05	\$ (0.09)	\$ 0.29	\$ (1.09)
Cash Beginning	\$ 0.04	\$ 12.36	\$ 11.12	\$ 9.63	\$ 9.55	\$ 12.36	\$ 9.65	\$ 8.30	\$ 8.35	\$ 8.27	\$ 9.65
Cash End	\$ 12.35	\$ 11.12	\$ 9.63	\$ 9.55	\$ 9.65	\$ 9.65	\$ 8.30	\$ 8.35	\$ 8.27	\$ 8.56	\$ 8.56

## Esports Entertainment (GMBL): Valuation

Stable Growth  
 g=7%, Beta =1.97  
 D/(D+E) = 40%; ROC = 10.3%  
 Reinvestment Rate = 20%

**Current Cash Flow to firm**

EBIT(1-t)	Neg
- Net Cap Ex	
- Change in WC	
FCFF	Neg
Reinvestment Rate	

Reinvestment Rate  
 20.0%

Return on Capital  
 14.0%

Expected Growth in EBIT(1-t)  
 7.00%

Terminal Value = \$ 81

	2020	2021	2022	2023	2024				
Firm Value	\$ 81.00	EBIT(1-t) \$ (4.05)	\$ (7.02)	\$ (3.80)	\$ (0.07)	\$ 1.59	\$ 1.70	\$ 1.82	\$ 1.95
+Cash	\$ 12.35	-Rein \$ 1.79	\$ 2.90	\$ 3.05	\$ 3.20	\$ 3.36	\$ 3.53	\$ 3.70	\$ 3.89
-Debt	\$ -	FCFF \$ (5.84)	\$ (9.92)	\$ (6.85)	\$ (3.27)	\$ (1.77)	\$ (1.83)	\$ (1.88)	\$ (1.94)
=Equity	\$ 93.35								
-Stock Options									
=Equity in Common Stock	\$ 93.35								
Value/Share	\$ 8.33								

#REF!

Cost of Equity  
 11.44%

Cost of Debt  
 3.90%

Weights  
 E=1 D=0

Risk Free Rate (10 Year Gov. bond)  
 3.25%

+  
 Beta  
 1.70

X  
 Risk Premium  
 4.82%

Unlevered Beta for Industry  
 1.00

Firm's D/E Ratio  
 0.00%