

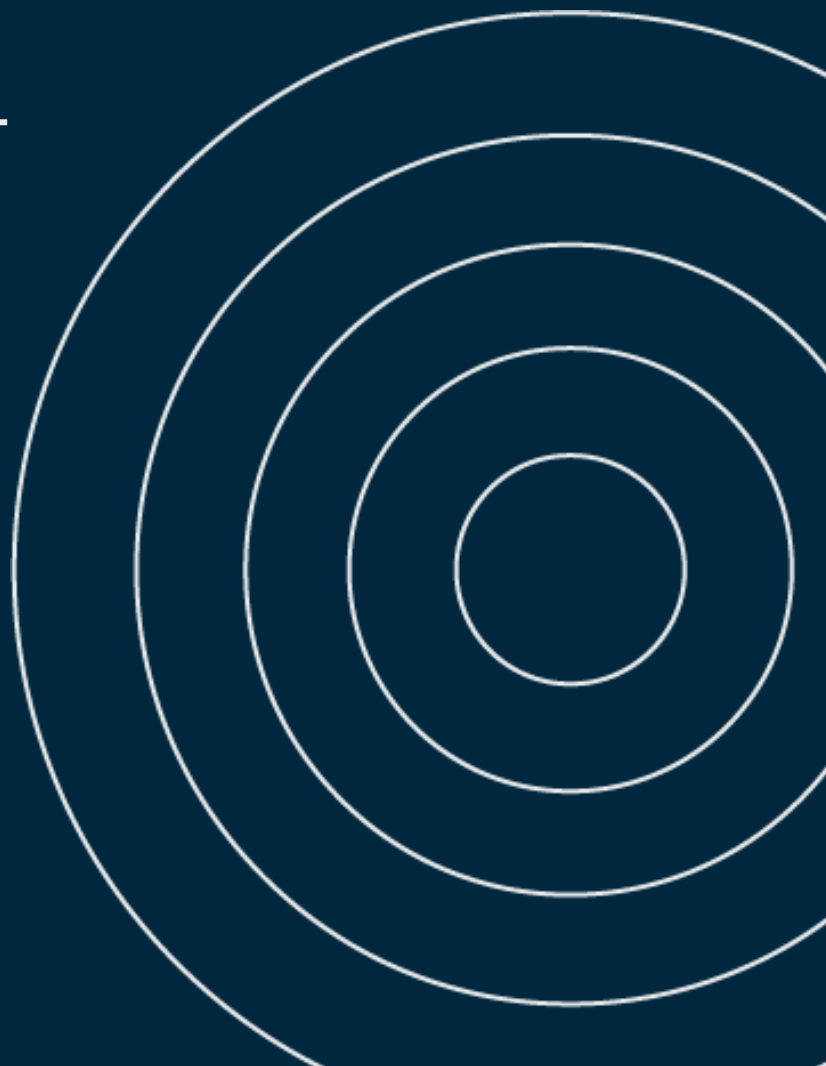
**STWS**

# ESPORTS & GAMING MARKET REPORT

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PRESENTED BY BIG & TIPALTI

**2022**



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# EXECUTIVE SUMMARY

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## 1

### Esports Diversifying Revenue

Esports needs to diversify revenue streams away from sponsorship. However, trying to emulate traditional sports' success with media rights is not the answer. Instead pro esports teams should focus on growth as gaming lifestyle brands that can leverage the appeal of their athletes as creators.

## 2

### Post-Pandemic Correction

Overall, the gaming market is going through an inevitable post-pandemic correction with decreased sales. This has been counteracted by record setting M&A activity in the space. Optimistic views welcome this market consolidation with the hopes it will lead to greater innovation and direct competition from the major players.

## 3

### Creator Economy Potential

The emergence of the Creator Economy presents a huge opportunity for streamers to monetize the direct connection they have built with their audience. The products and services underpinning this market continue to grow and mature.

## 4

### Gaming as the Web 3 Gateway

There are optimistic signs of gaming being the gateway to immersive experiences promised by Web3. This is still a very immature market and there will continue to be high profile failures in Web3 as the market grows.

# THE AUTHOR

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The global experts in sports technology and innovation

We are a trusted and experienced advisory and consulting services firm, delivering solutions to grow organizations in sports technology and adjacent markets including Fitness, Health, Media, Gaming & Web 3.0

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- Trade Missions

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- Conferences & Trade Shows
- Industry Podcast
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# HEADLINE SPONSORS

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## Business In Games (BIG)

BIG is a fast-growing esports and gaming strategy and marketing firm backed by the largest Australian publicly-listed video game developer, PlaySide Studios. Our experience spans high-level global and local campaigns with global brands such as Fox Sports, Intel, NVIDIA, Corsair, and many more. We also works with videogame developers, software & hardware companies and on blockchain projects



## Tipalti Payment Automations

Tipalti comes from the Hebrew expression for “We handled it.” Tipalti is the only company handling both Global Partner Payments and Accounts Payable workflows for high-velocity companies across the entire financial operations cycle: onboarding and managing global suppliers, instituting procurement controls, streamlining invoice processing and approvals, executing payments around the world and reconciling payables data across a multi-subsidary finance organization.

Tipalti enables high-growth companies to scale quickly by making payables strategic with operational, compliance, and financial controls. Companies can efficiently and securely pay thousands of partners and suppliers in 196 countries within minutes. 2,500+ companies, such as Amazon Twitch, Roblox, Gen.G, GoDaddy, Roku, WordPress.com, and ZipRecruiter use Tipalti to reduce operational workload by 80% and accelerate the financial close by 25%, while improving partner visibility and strengthening financial and spend controls. For more information, visit [tipalti.com](https://tipalti.com).

# INDUSTRY EXPERTS

Special thanks to our 28 global industry experts and innovators for their contributions to this report



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**Chris Smith**  
BIG



# 2

Defining the  
Ecosystem

# WHAT IS THE INDUSTRY?

ESPORTS • GAMING • STREAMING



# DEFINING THE ECOSYSTEM

The terms “esports”, “gaming” and “streaming” are often used interchangeably when discussing professional video gamers, social gaming and content creators. This fails to grasp the nuances between each area of the industry. In this section, we will attempt to define each sub-sector to better understand the market scope, trends and growth drivers for each.

	ESPORTS	GAMING	STREAMING
FORMAT	Professional competitive video gaming by teams or individuals	Social / amateur video gaming	Creative video content of individuals or groups playing video games (usually live streamed)
FAN'S ROLE	Spectator	Active Participant	Spectator & Occasional Participant
PRIMARY REVENUE STREAMS	<ul style="list-style-type: none"> <li>• Sponsorship</li> <li>• Media Rights</li> <li>• Tournament Winnings</li> <li>• Merchandise</li> </ul>	<ul style="list-style-type: none"> <li>• Games sales</li> <li>• Hardware sales</li> <li>• In-game micro-transactions e.g. skins, emotes.</li> <li>• Subscriptions e.g. online multiplayer access</li> </ul>	<ul style="list-style-type: none"> <li>• Views (Ads)</li> <li>• Subscriptions</li> <li>• Fan Donations</li> <li>• Merchandise</li> <li>• Affiliate Marketing</li> <li>• Sponsorship</li> </ul>

# ESPORTS

“Professional or semi-professional competitive gaming in an organized format (tournament or league) with a specific goal/prize, such as winning a championship title or prize money.”

Source: Newzoo (2022)



**DEVELOPERS & PUBLISHERS**

Use esports marketing for extended monetization

**BRANDS & ADVERTISERS**

Use esports as a communication channel to reach an engaged young audience

**INVESTORS**

Want the ecosystem to grow to increase their return on investment

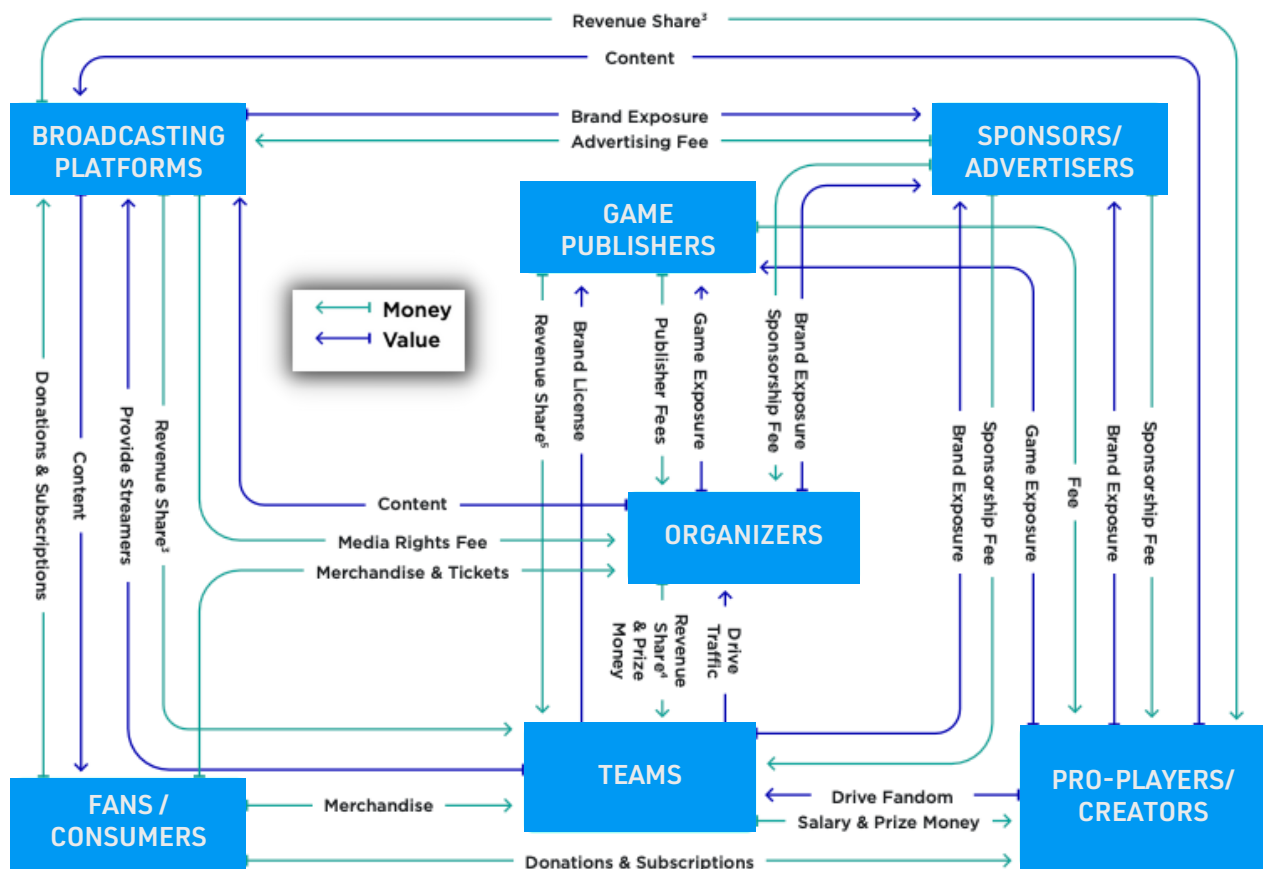
**BUSINESS SUPPORT FUNCTIONS**

- Strategic Planning
- HR & Contracting
- PR & Comms
- Sales & Marketing
- Cybersecurity
- Payment systems
- Coaching & Training
- Compliance
- Finance

# OVERVIEW OF THE ESPORTS VALUE CHAIN

The esports value chain is a deeply interconnected ecosystem with no single dominant element or segment.

The diagram below illustrates the value and money exchange that flows between the composite parts of the ecosystem including video platforms; game publishers; sponsors/advertisers (brands); tournament organizers; esports teams, consumers/fans; and esports players/creators.



Notes:

1. Game Publishers can own multiple game titles and be organizers of tournaments for the games they own themselves.
2. Pro-Players and Content Creators can be independent of a team.
3. Revenue share includes a share of subscription, donation, and advertisement revenues.
4. Revenue share includes a share of sponsorship and media rights revenue.
5. Revenue share includes a share on in-game digital goods.

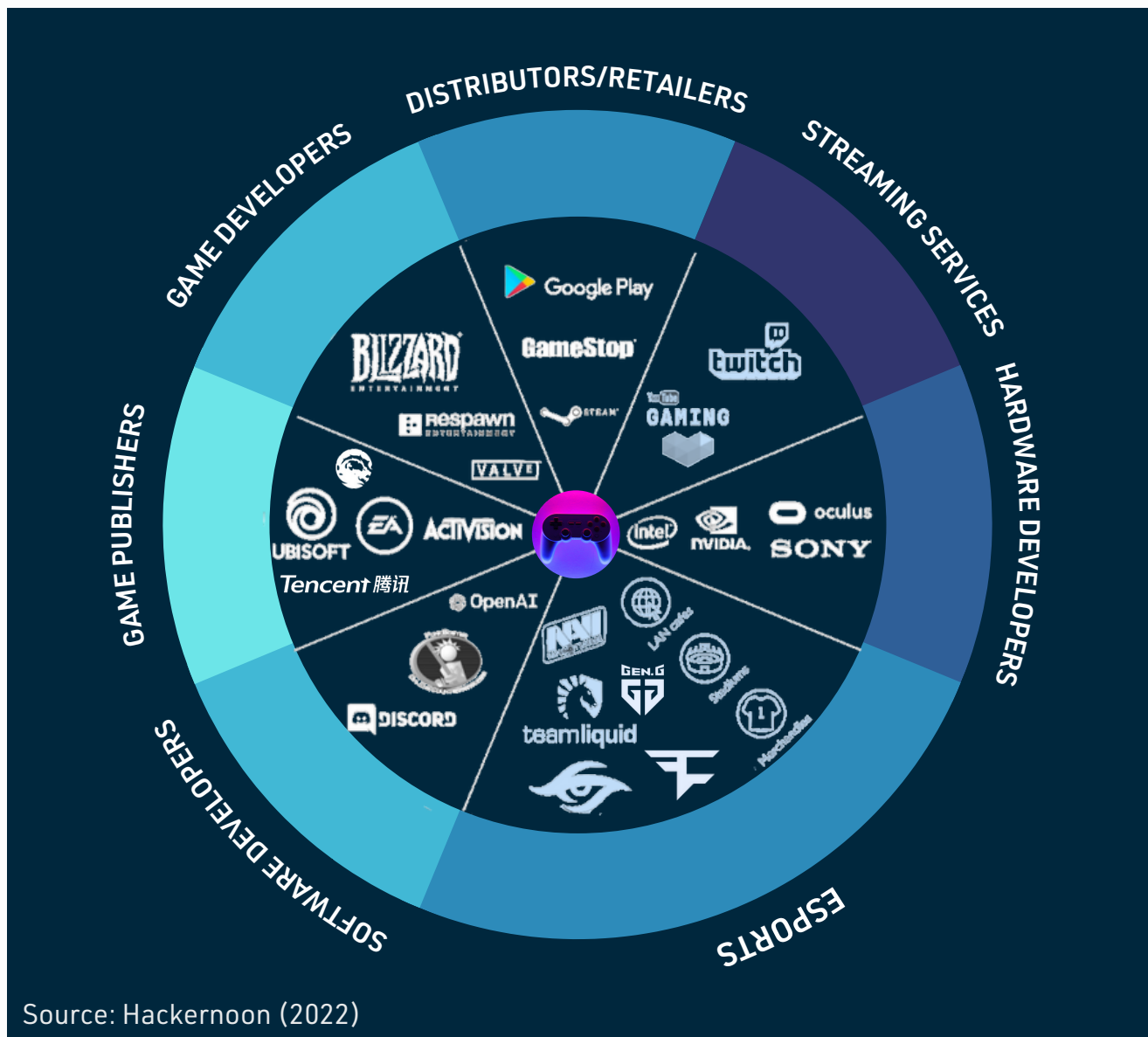
Source: Newzoo (2022)



# GAMING

"Individual or group participating in amateur or social video gaming."

Arguably "gaming" is no longer merely an entertainment medium or sector of the broader entertainment market, but has rapidly evolved to be an all-encompassing lifestyle. However, the strict market scope refers to game publishers, game developers, software developers, gaming hardware and accessories.

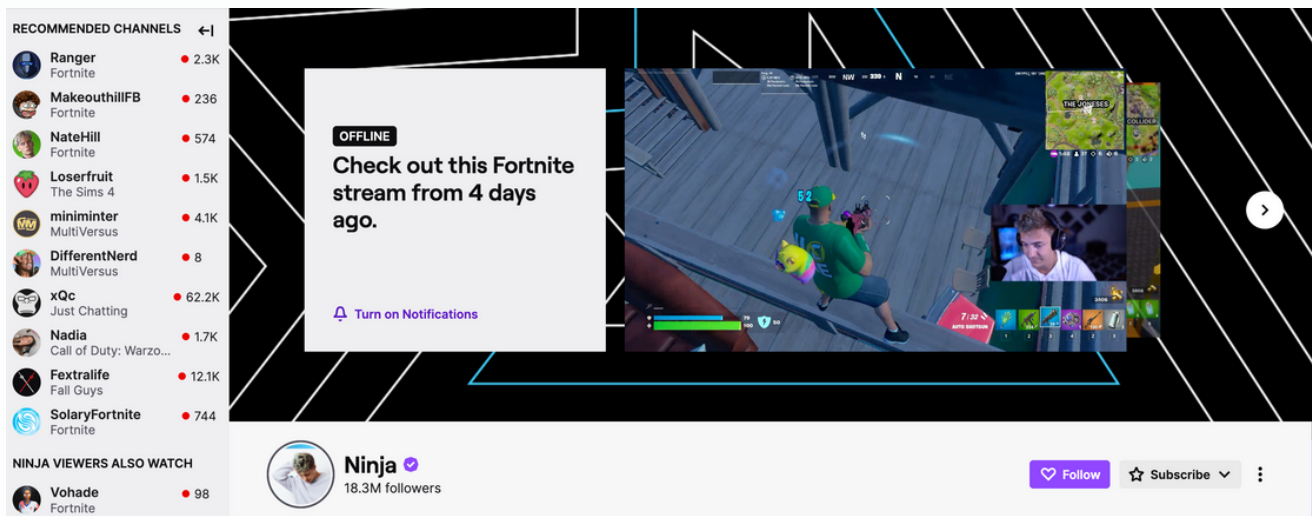




# STREAMING

"Transmitting the screen view of a video game being played along with a video of the player to an online audience."

The gaming content streamed does not need to be exclusively competitive play but can also include challenges, humorous sketches and "speed runs" where players attempt to finish a game as quickly as possible. Many gaming streamers will also create additional content not related to gaming, but the majority of their videos will have some sort of focus on gameplay.



Source: Twitch (2022)

Game streaming can be divided into "live streaming" and "video on demand" (VOD). Twitch is the dominant platform for live streaming and YouTube the dominant platform for VOD content. YouTube also has its own live streaming service, YouTube Gaming, whereas VOD on Twitch is only an archive of content previously streamed live and not a core part of the product offering. Facebook Gaming has attempted to make in-roads into the game live streaming markets but thus far hasn't been able to give serious competition to the dominance of Twitch.

**VIDEO ON DEMAND (VOD)**

**LIVE STREAMING**

# STREAMING

## THE CREATOR ECONOMY

The streamers who successfully translate the creation of gaming content into significant revenue streams are understood as part of the much broader content Creator Economy. The Creator Economy is defined as the class of businesses built by independent content creators, curators, and community builders including social media influencers, bloggers, and videographers, plus the software and finance tools designed to help them with growth and monetization (Source: Signal Fire).

As with esports athletes being recognised as professionals rather than just amateur gamers, gaming content creators' audience and subsequent revenue generation elevates them beyond amateur gamers sharing videos with a small group of friends.

### THE CREATOR ECONOMY TECH STACK

CREATOR CATEGORY TOOLS						
<b>YOUTUBER</b> Studio vidIQ, YouTube, Pr, Epidemic Sound, Ps, YouTube GAMING	<b>GAMERS AND STREAMERS</b> Twitch, XSplit, OBS, NVIDIA, Discord, YouTube	<b>MUSICIANS, PHOTOGRAPHERS, ARTISTS</b> Spotify, SoundCloud, OpenSea, ZORA	<b>WRITERS AND BLOGGERS</b> Medium, ghost, TinyLetter, mailer	<b>PODCASTERS AND AUDIO CREATORS</b> Libsyn, zencast, Transistor	<b>INSTAGRAM INFLUENCERS</b> Instagram, Hootsuite, Loomly, Agorapulse	<b>TIKTOKERS</b> TikTok, Snapchat, Quik
BUSINESS BACKEND				SOCIAL SCHEDULING + DISTRIBUTION		
<b>FINANCE AND ANALYTICS</b> qb, stir, wave, sage, FreshBooks	<b>HIRING AND RECRUITMENT</b> LinkedIn, freelancer, Upwork, fiverr, ZipRecruiter	<b>PLANNING AND PROJECT MANAGEMENT</b> Trello, Google Workspace	<b>PAYMENTS</b> stripe, Square, PayPal, Apple Pay, shopify payments, tipalti	Buffer, Hootsuite, Loomly, Agorapulse		
FRONT PAGE + LINK PAGE		COMMERCE		EVENTS		
webflow, WIX, Carrd, Beacons, linktree		Farfetch, Etsy, POPSHOP LIVE, Teespring, Pietra		hopin, zoom, ticketmaster, eventbrite, SEAT GEEK, crowdcast, Airmeeet, RUN THE WORLD		
FAN MONETIZATIONS + SUBSCRIPTIONS			ADVERTISING + AFFILIATE		COMMUNITY	
Udemy, Skillshare, podia, Ko-fi, Buy me a coffee, Cameo, onl5fans, Cash App, venmo, MASTERCARD, maven, OPENSponsorSHIP			Google Ads, facebook Ads, ShareASale, LTK, amazon		Discord, Twitch, YouTube, Instagram	

Source: Shopify (2021)



# 3

Follow the  
Money

# STATE OF THE INDUSTRY

MARKET SIZE & GROWTH

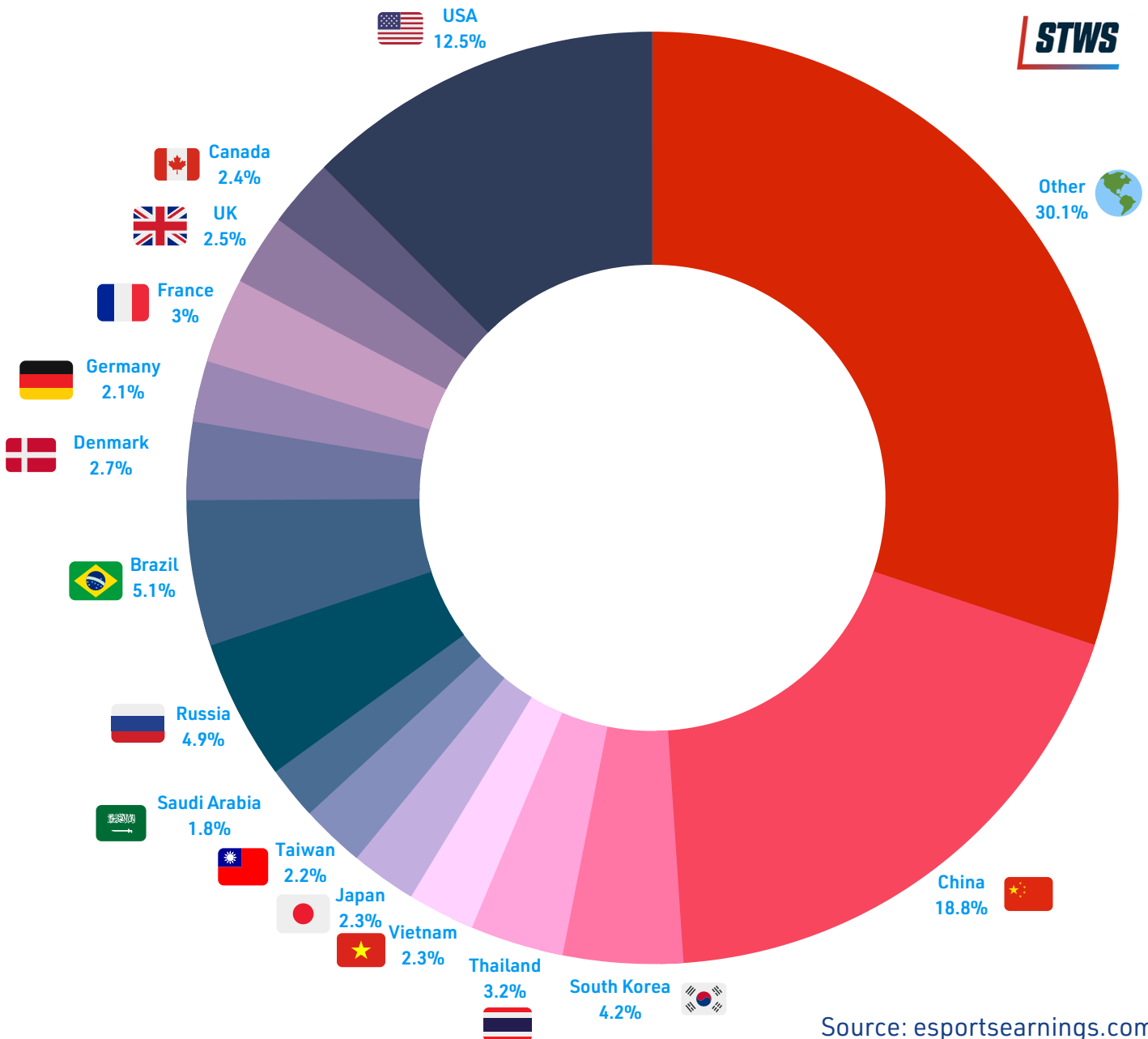


# ASIA DOMINATES GLOBAL ESPORTS WINNINGS

Esports athletes from Asia account for over 35% of global esports tournament winnings with 18.8% coming from China alone.

## TOP COUNTRIES BY WINNINGS

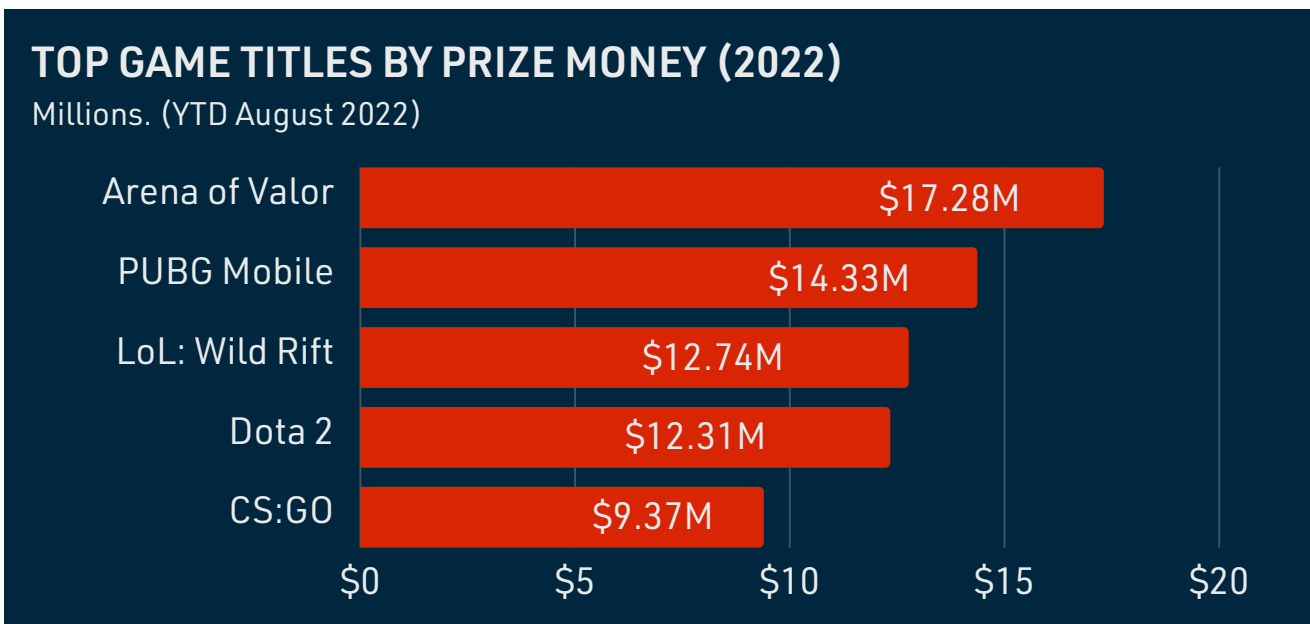
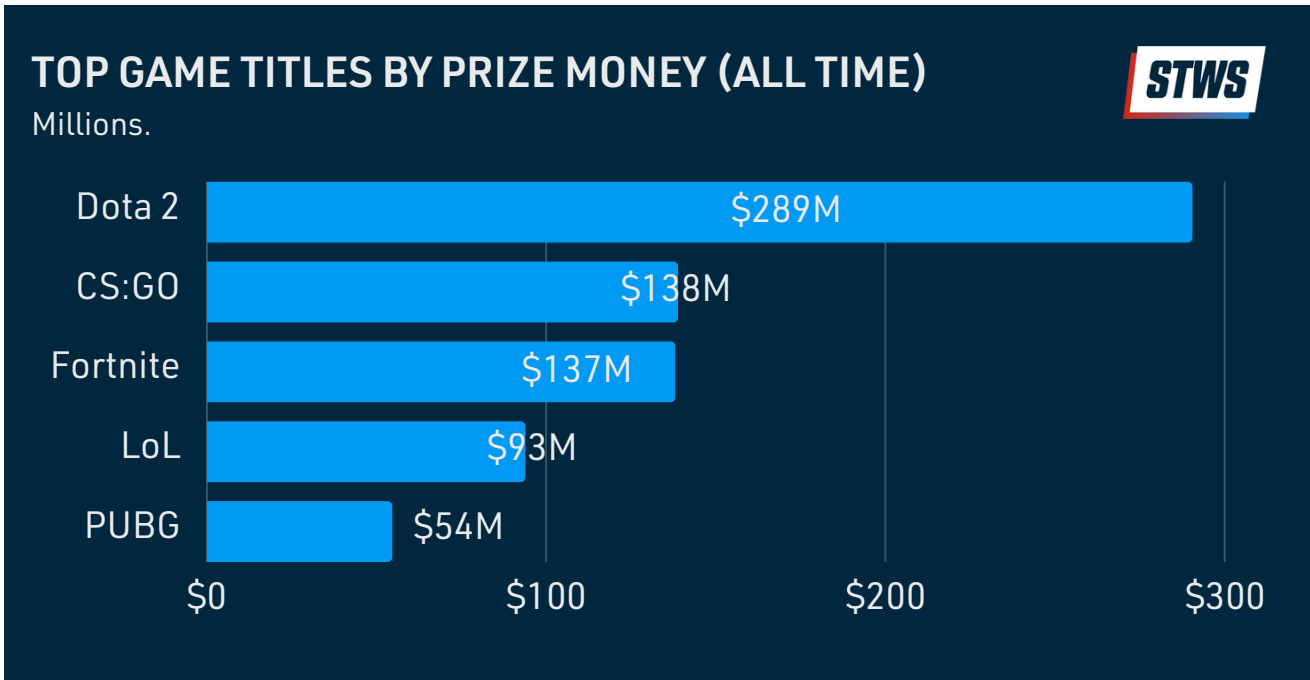
Percentage of total prize money (YTD August 2022)



Source: [esportsearnings.com](https://esportsearnings.com)

# PRIZE MONEY BY GAME TITLE

Dota 2 is the highest paying game title in esports with the 2021 International Dota 2 Championship event paying out a prize pool of \$40M including \$18.2M for first place.

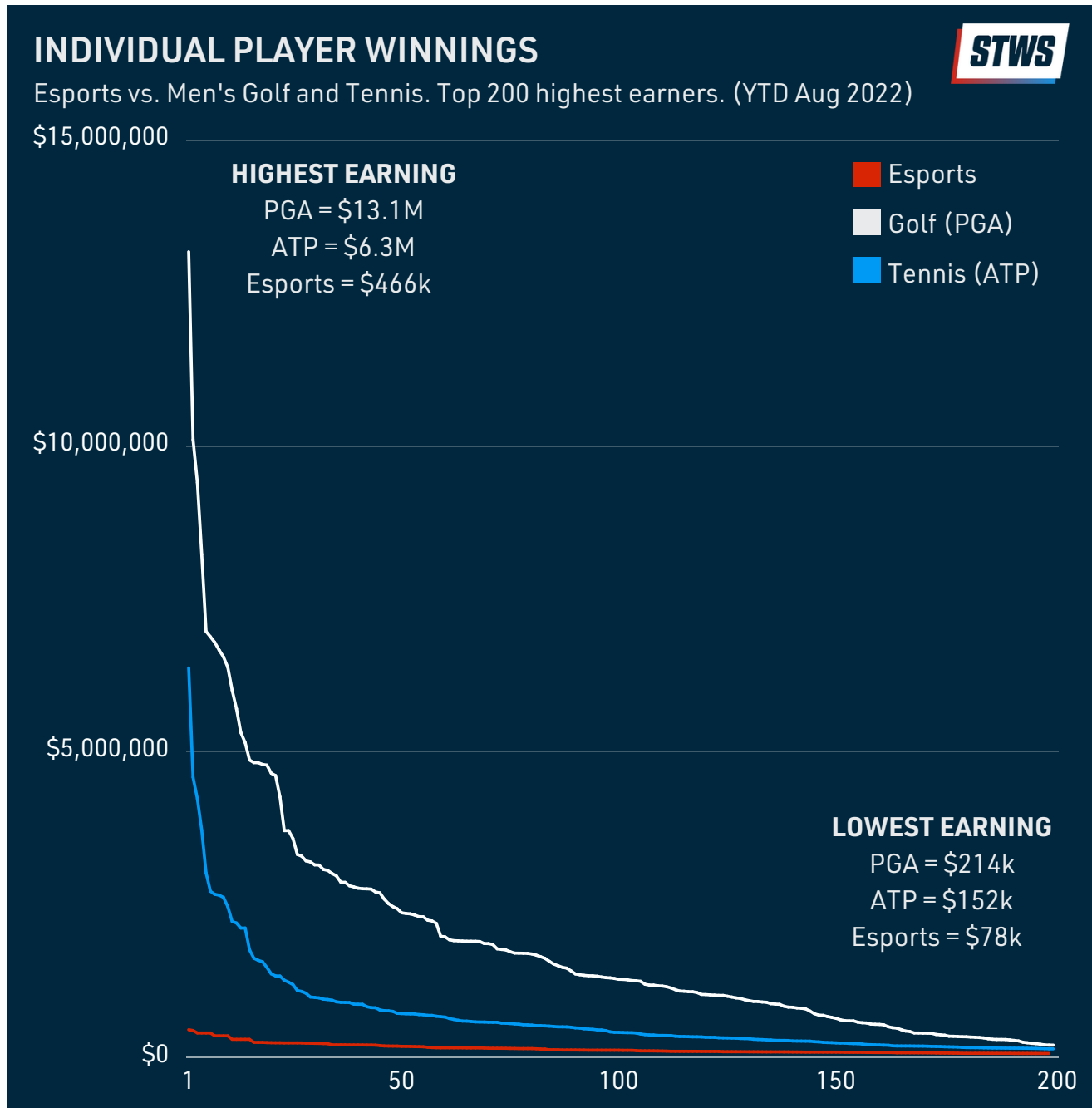


Source: [esportsearnings.com](http://esportsearnings.com)

# PRIZE MONEY

## ESPORTS VS TRADITIONAL SPORTS

Esports doesn't come anywhere near close to the top prize money of traditional sports. However, the difference between the highest and lowest earners in esports is closer than in traditional sports.

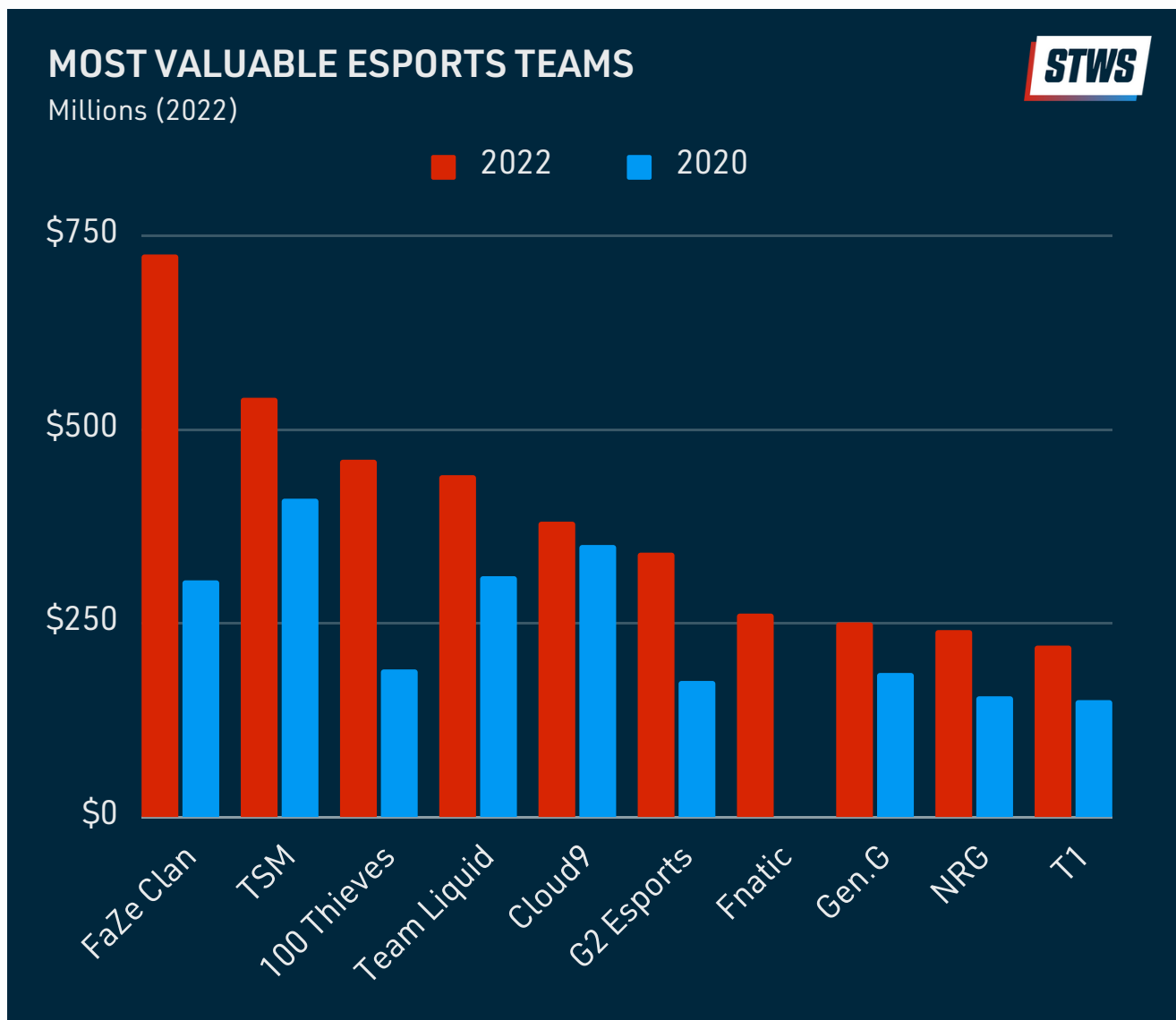


Source: StatsPerform, PGA Tour, esportsearnings.com



# ESPORTS TEAM VALUATIONS

The ten most valuable esports companies are worth a combined \$3.5 billion, up 46% from December 2020. Following its listing on the Nasdaq, FaZe Clan has leapfrogged from a previous valuation of \$400M (4th) to \$725M (1st).



Source: Forbes

# TEAM VALUATIONS

## ESPORTS VS. TRADITIONAL SPORTS

The average valuation of the top 10 Major League Soccer franchises is \$550M, in comparison to the top 10 Esports teams with an average valuation of only \$341M.



Source: Forbes, Sportico



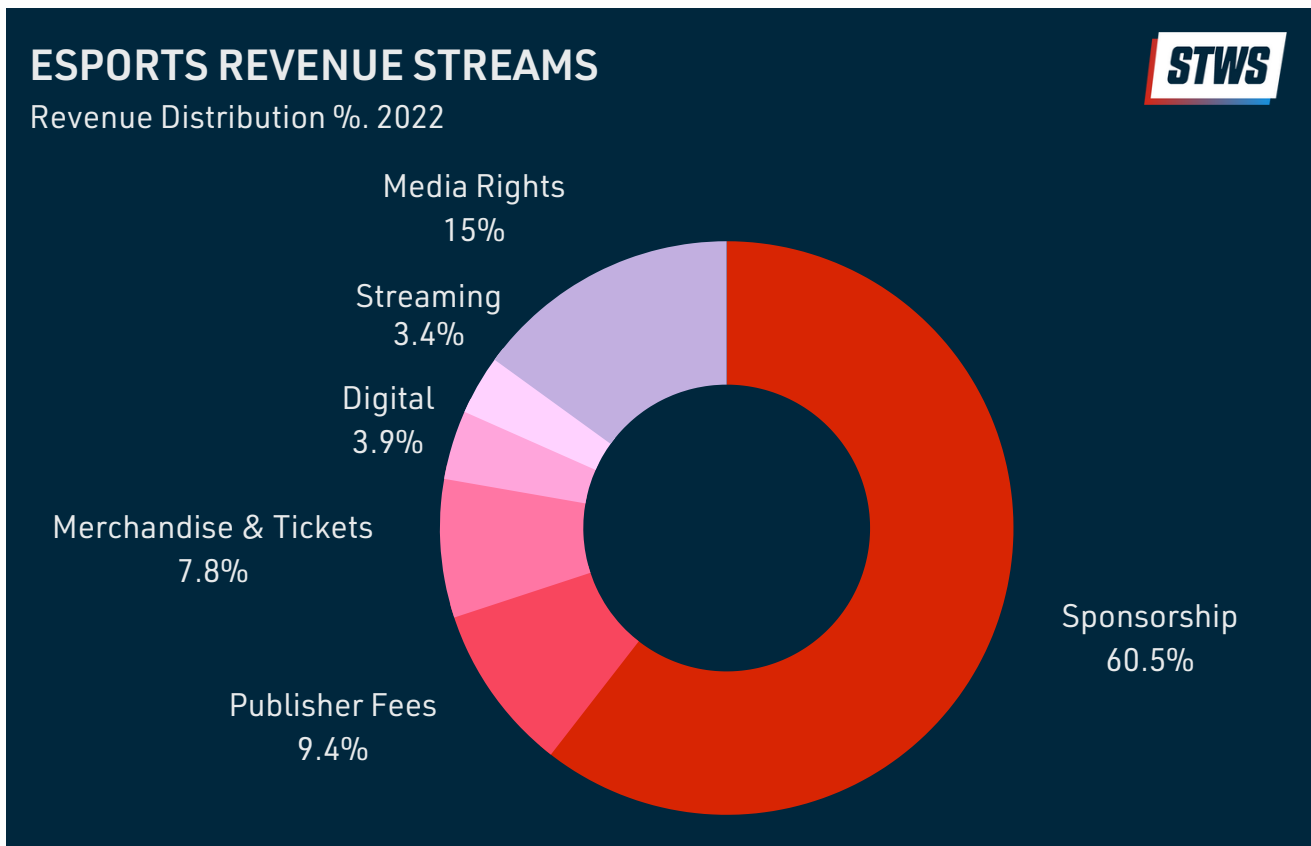
# REVENUE SOURCES

## SPONSORSHIP

## OVER RELIANCE

Sponsorship accounts for over 60% of total revenues for esports teams, indicating a lack of diversified revenue streams.

The majority of esports teams are facing the challenge of generating consistent revenue streams outside of sponsorship and advertising. Sponsorship deals are typically on shorter terms than media rights deals giving esports less long-term stability over guaranteed revenues.



Source: Newzoo

The recent downturn in crypto markets will especially hurt esports franchises as spending from this new, and briefly very generous, sponsorship category dries up. However, the long-term growth of the Web3 market will present new opportunities for esports franchises considering the natural synergies between the areas beyond solely sponsorship.

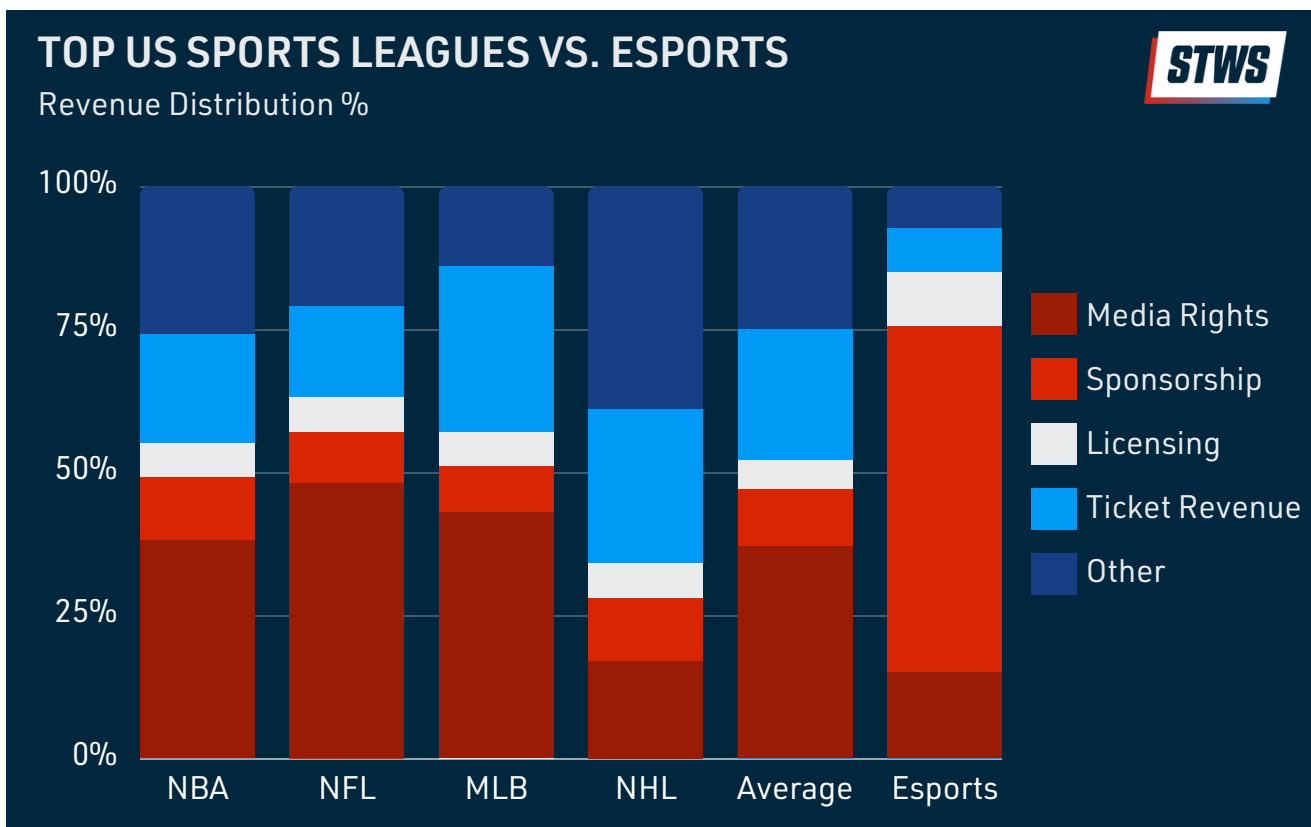
# REVENUE SOURCES

## ESPORTS VS. TRADITIONAL SPORTS

Traditional Sports is underpinned by lucrative media rights deals that give long-term financial stability, as compared to esports' overreliance on sponsorship.

With more than \$50 billion paid yearly on sports media rights internationally, broadcasting and media rights are the single largest source of revenue for almost every major professional sports league. The NFL recently signed a range of 10-year broadcasting agreements with various networks for over \$100 billion. The entrance of big tech companies, including Amazon Prime Video and Apple TV+ into the sports rights streaming space is predicted to increase sports media rights revenue globally to \$85 billion by 2025, a 75% increase from 2018. The second largest revenue source for traditional sports is ticket revenue.

If we compare the distribution of revenue sources below it illustrates the difference in business models and the precarious financial position many esports teams find themselves in without this guaranteed annual media rights revenue, supplemented by ticket revenue.



Source: Goldman Sachs Global Investment Research, Rockwater, Newzoo

# LIMITATIONS

## ESPORTS VS TRADITIONAL SPORTS

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Esports is unlikely to be able to replicate the model for the success of traditional sports due to a number of factors, including issues with IP ownership.

The game titles played by esports teams are the intellectual property of the game publishers that create them. Because esports do not control the IP of the games they play they are limited in how they can generate revenue. This is a significant distinction from traditional sports, where no one owns the idea or concept of the game, the tools used to play it, or the field on which it is played.

The purpose of a league in traditional sports is to grow the valuation of each franchise by generating league-wide revenues that wouldn't be feasible for an individual team to pursue as well as the efficient administration of the game. For example, the NFL generates revenue from the IP it owns, consisting of TV deals along with merchandising and licensing contracts, which are negotiated at the national level by the league itself. This money is then divided evenly among the 32 teams regardless of individual performance. The NFL earned about \$9.8 billion of this revenue in the fiscal year ending March 31, 2021, with each team receiving \$309 million, according to shareholder filings from the Green Bay Packers. Local revenue, which consists of ticket sales, concessions, and corporate sponsors is then earned by the teams themselves. By comparison, for esports, the administration and growth of a league are not the core business of game publishers or developers as owners of the game IP.

Esports teams are further hamstrung by hefty franchise fees that don't reflect the upside teams receive from joining the league. In traditional pro sports leagues, there is also a fee for new franchises to enter the league, but once they join the team immediately receive their generous share of league-generated revenue including media rights revenue. After delaying payments for two years due to the COVID-19 pandemic, Activision Blizzard is still owed between \$390 million and \$420 million in franchise fees from teams competing in the Overwatch and Call of Duty Leagues. The outstanding debts highlight the difficulty of esports teams and leagues in generating reliable revenue.

# LIMITATIONS

## ESPORTS VS TRADITIONAL SPORTS

Esports fans differ from traditional sports fans in the way they are heavily segmented amongst genres and game titles, decreasing the feasibility for major media rights deals.

Another complication as compared to traditional sports is that the majority of esports fans are digitally native being accustomed to streaming content for free on online platforms like Twitch, rather than linear TV. This makes the prospect of traditional media rights deals more unlikely.

"I've felt for some period of time that esports is plateauing. It feels like we were sold a bit of a false bill of goods in terms of how big the total addressable market is by data firms that misrepresented the numbers.

Just because the largest events of the year—the "League of Legends" World Championship, the "Counter-Strike" Majors, EVO and the like—draw in millions of eyeballs, I don't think it's fair to equate those same viewers as the type of fans who engage actively with content. It's like saying every person who socially watches the Super Bowl each February is a football fan.

There is a hardcore esports base, albeit heavily segmented game-by-game and the data measured between them feels misleading—because fans of a game like "Counter-Strike" skew older than say "Fortnite", or even "VALORANT", which is closer in genre."

Jacob Wolf  
Jacob Wolf Report



# CASE STUDY

## FAZE CLAN

FaZe Clan typifies the potential growth but also the struggles of Esports Teams to become sustainable, diversified businesses.

Founded in 2010, FaZe Clan brands itself as the “most popular esports and entertainment organization in the world” and claims to have an audience of 350M. FaZe Clan’s website currently lists a roster of 93 members, divided between 48 “Pro Players” and 38 “Content Creators” including NFL Quarterback Kyler Murray and rapper Snoop Dogg who also joined the Board of Directors. The company leverages the huge social media followings of its talent to drive revenue across various business units but is currently heavily reliant on sponsorship.



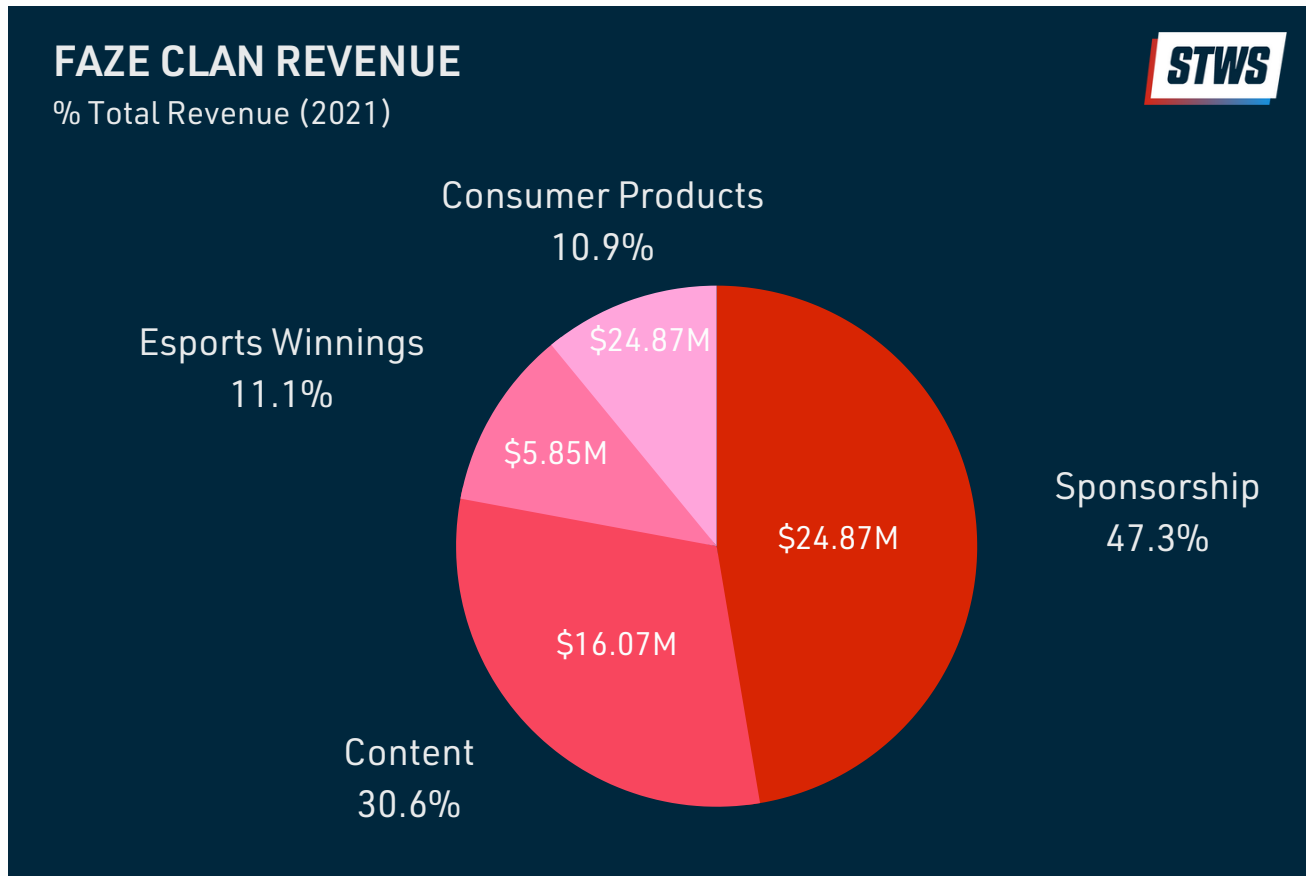
Source: FaZe Clan (2022)

On July 20th, 2022 FaZe Clan became the first Esports & Gaming Lifestyle Brand listed on the Nasdaq, trading under the ticker symbol FAZE through a special purpose acquisition company (SPAC) merger with B.Riley Principal 150 Merger Corp. In a SPAC transaction, a private company merges with a public “blank check” company for the purpose of circumventing the lengthy regulatory process for going public via an initial public offering (IPO). FaZe Clan announced the planned SPAC merger in October 2021 with a valuation of \$650 million and a targeted valuation of \$1 billion. Upon listing, the initial valuation was reduced to \$725 million. However, this still makes it the most valuable esports team globally.

# FAZE CLAN

## REVENUE DIVERSIFICATION

Sponsorships accounted for nearly 50% of FaZe Clan's total revenues in 2021. However, there are stated plans for diversification into new revenue streams, including leveraging the Creator Economy.



Source: FaZe Holdings Inc, SEC Filings (2022)

"FaZe Clan plans to further diversify its revenue streams with user monetization, expansion of its global footprint, and investment in new growth opportunities across the Creator Economy and emerging technologies in addition to a robust acquisition strategy that will only strengthen the Company's flywheel." Lee Trink (CEO, FaZe Clan)

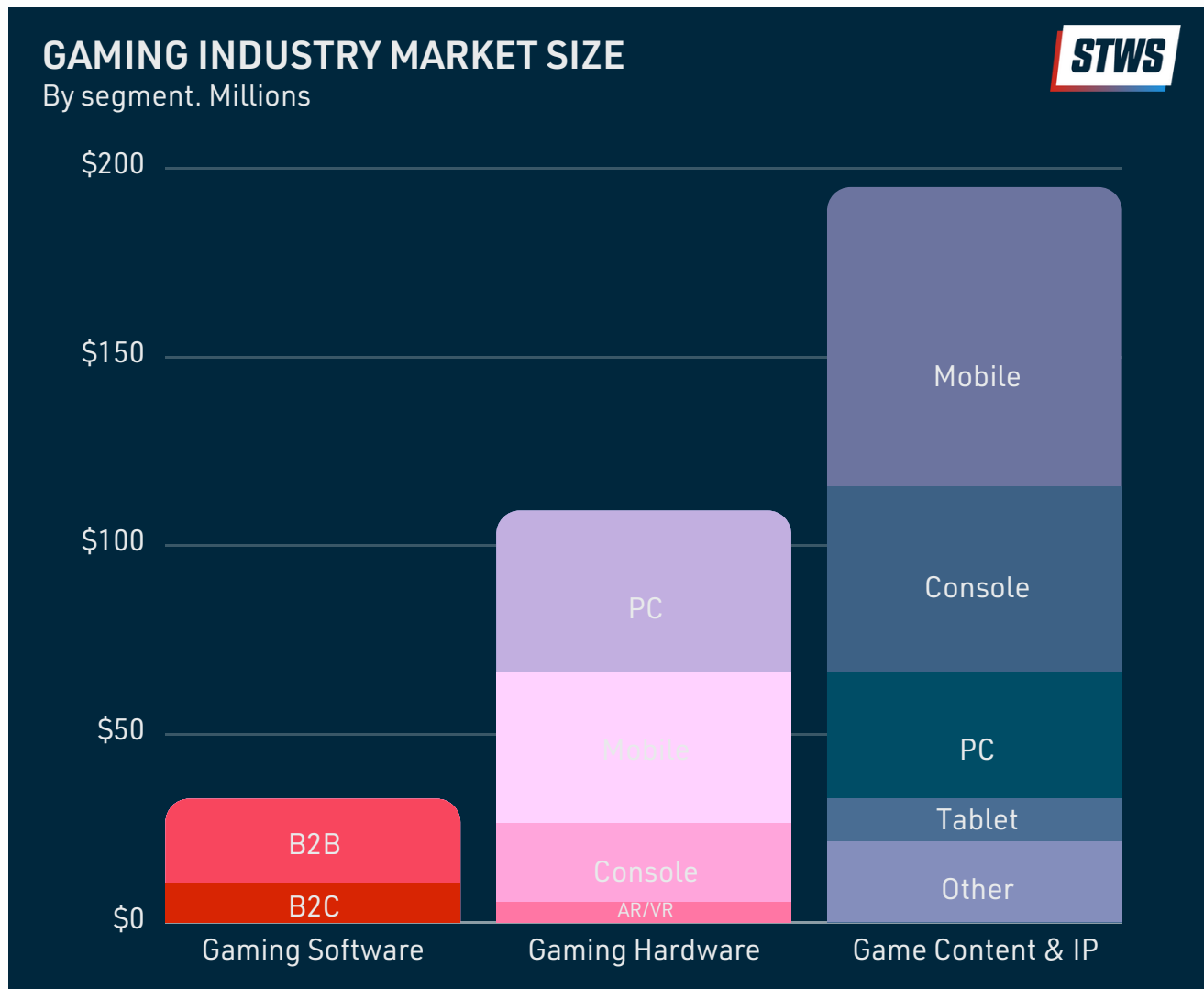
CEO Lee Trink predicts that the esports business will make up a smaller portion of FaZe Clan's revenue in the future. Potential future projects include an expanded gambling business with DraftKings, a delivery-only dining option similar to fellow influencer MrBeast's Burger and play-to-earn gaming that enables streamers to be paid.

# GAMING

## GLOBAL MARKET SIZE

The global gaming market is estimated to be the most valuable media and entertainment category, worth between \$175B and \$335B.

The market size most frequently cited for the global games industry comes from Newzoo which puts it at \$175.8 billion in 2021. Gaming and esports investment fund Bitkraft Ventures estimate the complete global market size of \$335.5 billion in 2021—nearly \$160B higher than Newzoo’s estimate. Taking either estimate, the gaming industry is still bigger than any other media and entertainment category including linear TV, on-demand/streaming media, box-office movies or music.



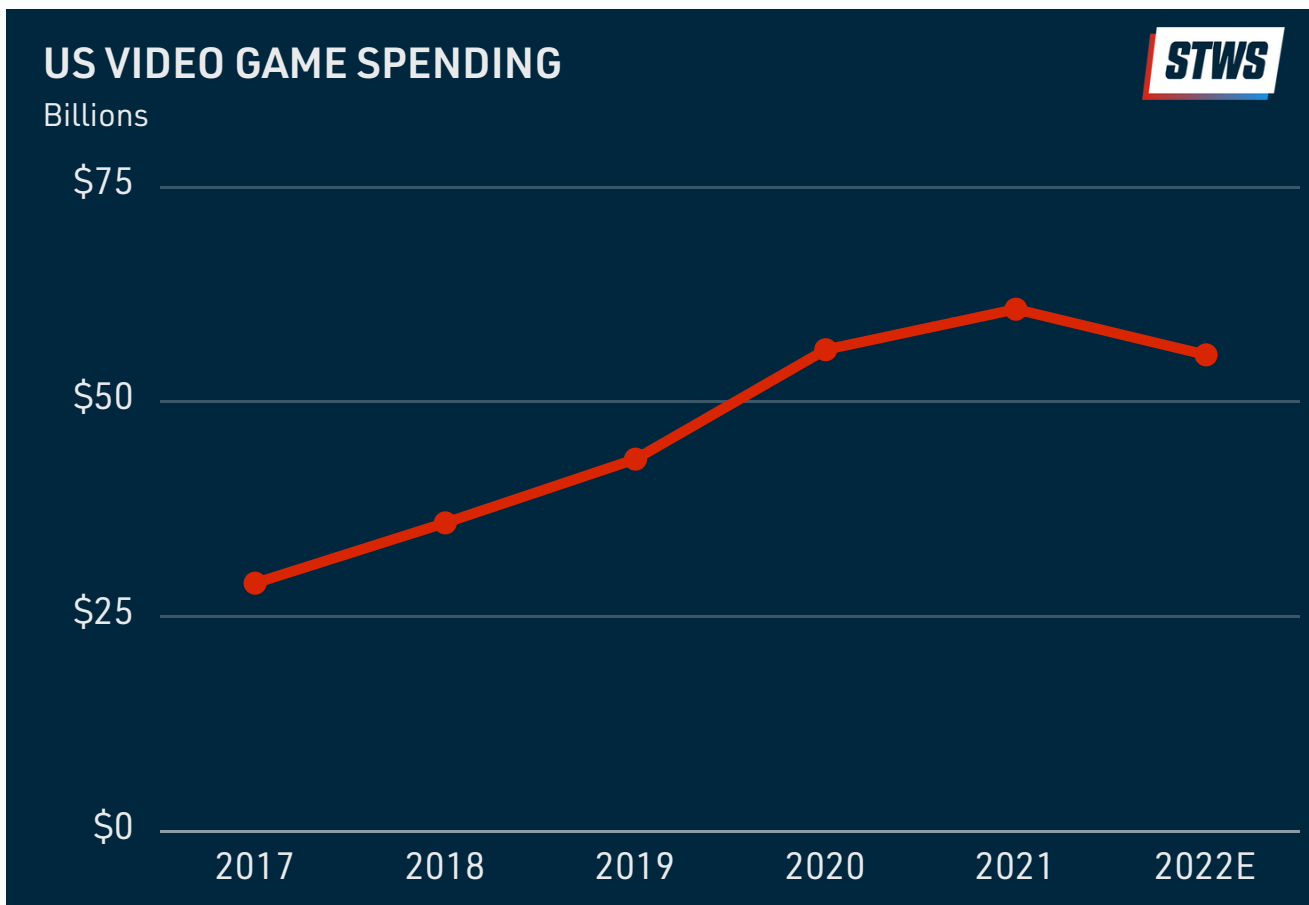
Source: Bitkraft, Naavik

# GAMING

## POST-PANDEMIC DECLINE

US consumer spending on video game hardware, content and accessories is projected to reach \$55.5 billion in 2022, a decline of 8.7% when compared to 2021.

As the world emerges from the COVID-19 pandemic the surge the market experienced during 2020 and 2021 has leveled off. Gaming is once again competing for consumer attention and spending against different entertainment opportunities, including live events. This decline has also been exacerbated by higher prices in everyday spending categories such as food and fuel combined with economic uncertainty restricting discretionary spending.



Source: The NPD Group, Games Market Dynamics



# GAMING

## RECORD YEAR FOR M&A

Although gaming sales fell from 2021 highs, 2022 has been a record year for deal activity in gaming with \$107B+ in total deal value.

This is drawn from 651 announced and/or closed deals in 2022 H1, including the major acquisitions announced by Microsoft, Take-Two Interactive and Sony.

Target	Acquirer	Market Segment	Deal Size (\$B)
 Activision Blizzard	 Microsoft	PC/Console	\$68.98
 Zynga	 Take-Two	Mobile	\$12.69
 Bungie	 Sony	PC/Console	\$3.6

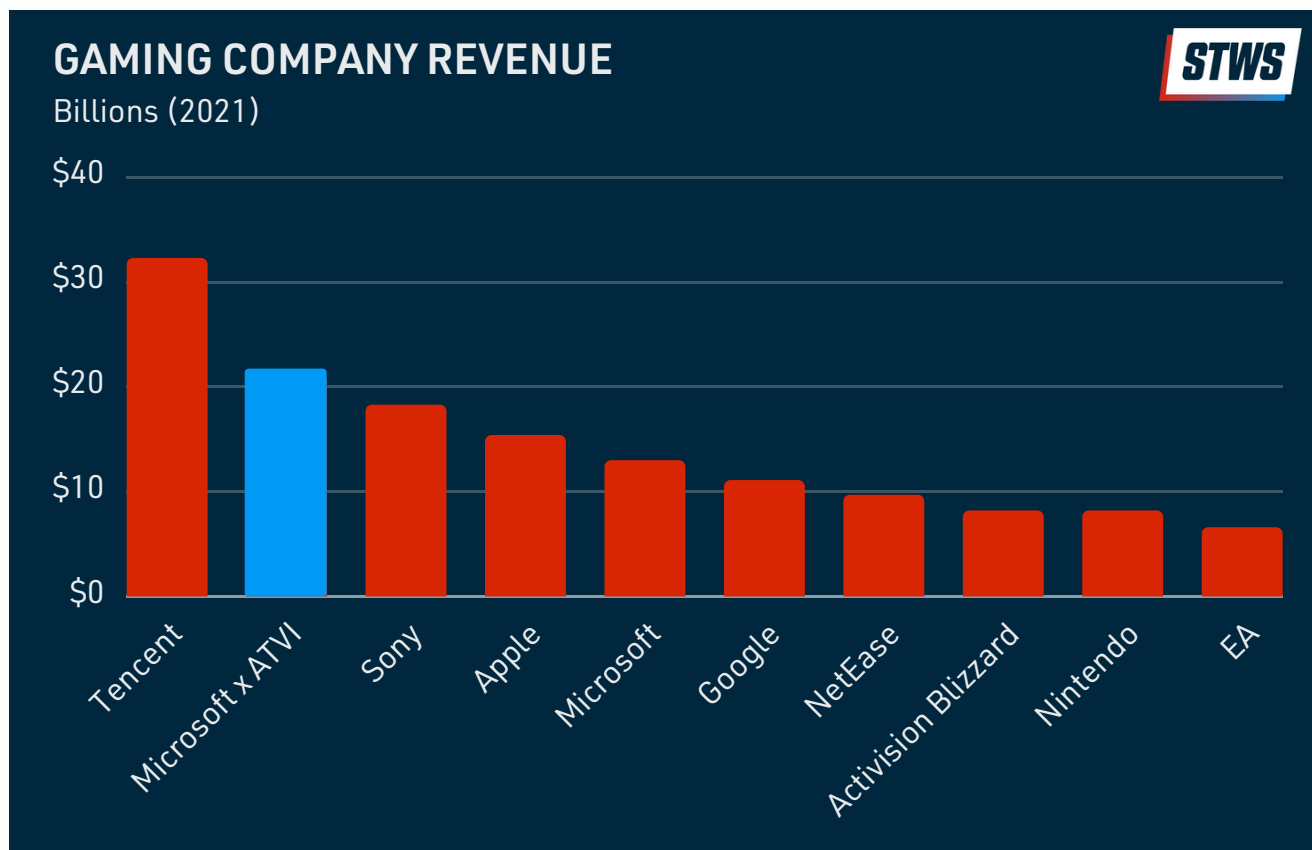
Source: Drakestar Partners

# MARKET MOVES

## MICROSOFT ACQUIRES ACTIVISION BLIZZARD

Microsoft announced in January 2022 that it was acquiring Activision Blizzard for \$68.9B. This deal is set to make it the second largest game company by revenue globally.

Antitrust enforcers across the globe are lining up to review the deal, including the UK's Competition and Markets Authority which opened an investigation to consider whether the deal may harm competition "through higher prices, lower quality, or reduced choice." If the deal is completed as planned by FY 2023, Microsoft will become the world's second-biggest gaming company by revenue, behind China's Tencent Holdings Ltd. and jumping ahead of Japan's Sony Group Corp. Through its Xbox division, Microsoft is already one of the largest game console manufacturers globally and the proposed acquisition would be the largest in Microsoft's history, over double the \$29 billion paid for LinkedIn in 2016.



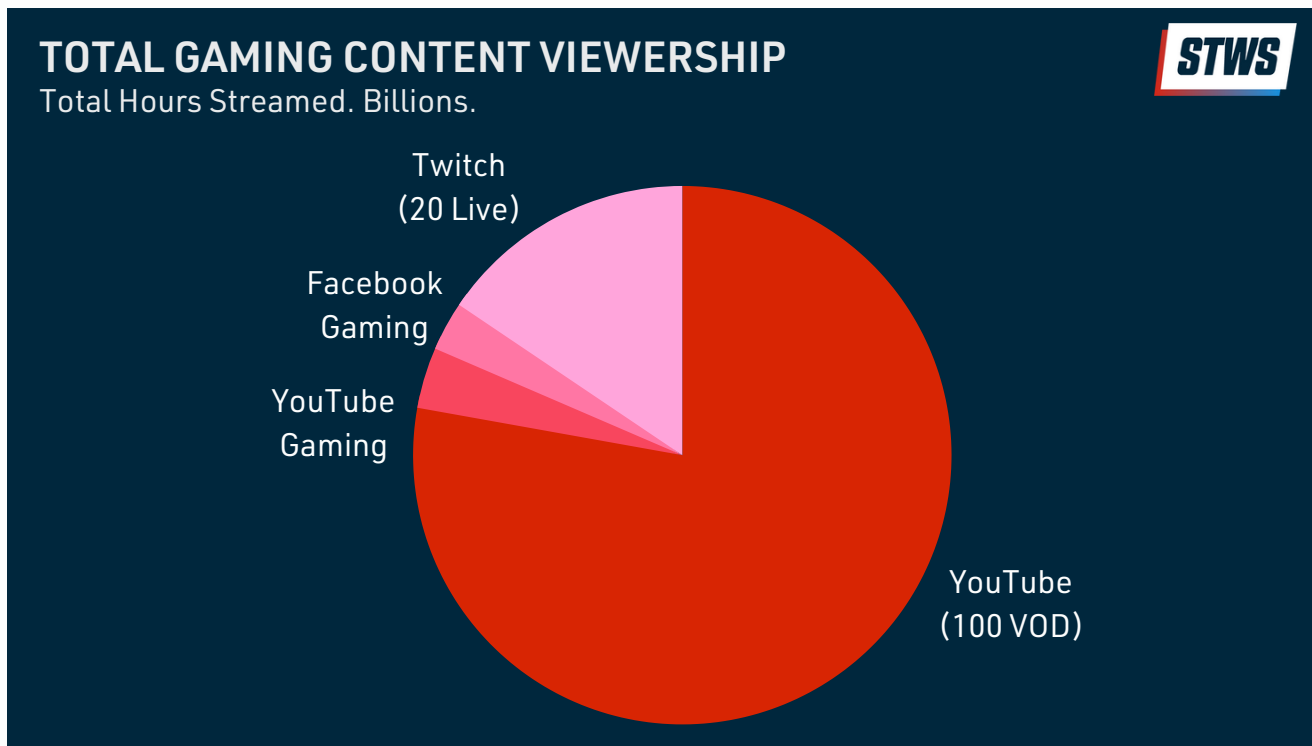
Source: Newzoo

# STREAMING

## UNDERSTANDING THE MARKET

YouTube (VOD) and Twitch (Live Streams) are the dominant platform for gaming creators but operate on different revenue models.

	Twitch	YouTube & YouTube Gaming
Primary Revenue Source	Subscriptions	Advertisements
Revenue Split (%)	50/50 Creators	30/70 Creators
Live Gaming Hours Watched (2022 Q1)	6.13 Billion	1.13 Billion
Total Monthly Users	140 Million	2.3 Billion



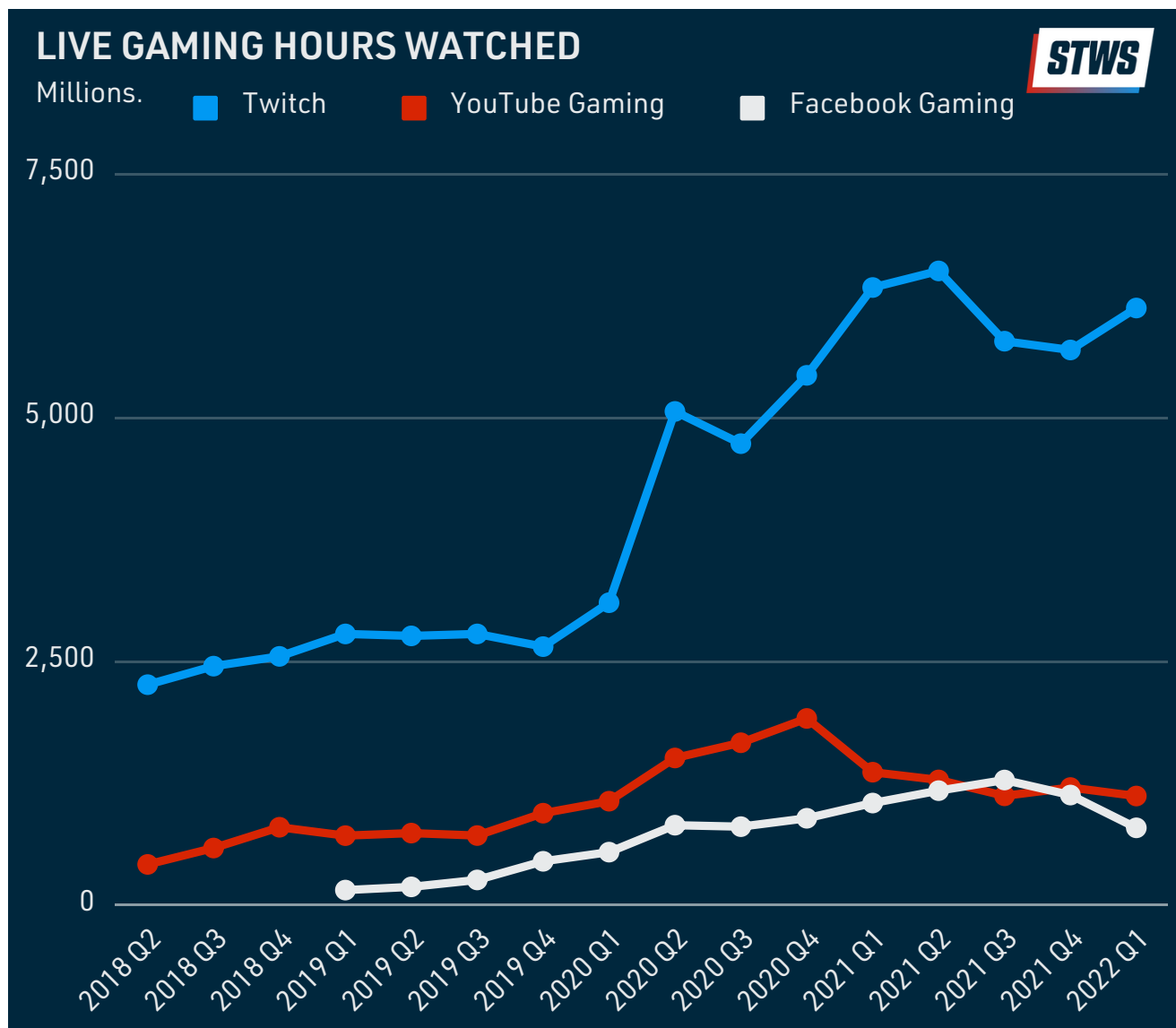
Source: Streamlabs

# TWITCH

## LIVE STREAMING DOMINANCE

Twitch is the dominant live streaming platform with 76% of live streaming hours watched in Q1 2022, followed by YouTube Gaming (14%) and Facebook Gaming (10%).

The global COVID-19 pandemic saw unprecedented growth across live streaming services but also a corresponding decline as the world emerged from restrictions. Facebook Gaming has seen the largest decline in viewership with YouTube Gaming flattening and Twitch trending back towards 2021 highs.



Source: Statista

# TWITCH CREATOR COMPENSATION

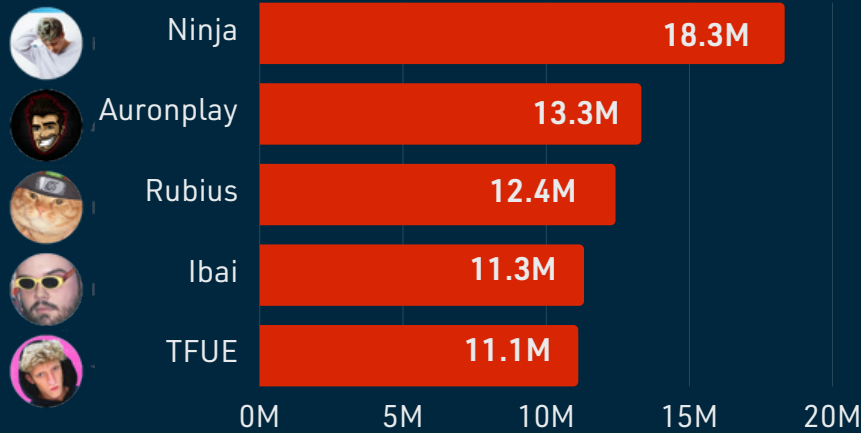
Twitch pays creators in the platform as either "Partners" or "Affiliates". There are currently about 10 million monthly Twitch streamers but fewer than 50,000 Partners.

AFFILIATE	PARTNER
<p style="text-align: center;"><b>CRITERIA</b></p> <p style="text-align: center;">To qualify, your channel must have had the following during the previous thirty days:</p>	
<ul style="list-style-type: none"> <li>• At least fifty followers</li> <li>• An average of three or more concurrent (simultaneous) viewers</li> <li>• At least seven unique broadcast days</li> <li>• At least 500 minutes of broadcast</li> </ul>	<ul style="list-style-type: none"> <li>• An average of at least seventy-five concurrent viewers</li> <li>• At least twelve unique broadcast days</li> <li>• At least twenty-five hours of broadcast</li> </ul>
<p style="text-align: center;"><b>PRIMARY REVENUE SOURCES</b></p>	
<p><b>1. Subscriptions</b></p> <ul style="list-style-type: none"> <li>◦ Viewers can pay to subscribe to a Twitch channel. Subscriptions start at \$4.99 per month.</li> <li>◦ When viewers subscribe, they receive perks like ad-free viewing and access to live chats. In addition, many Twitch streamers also entice subscribers with exclusive content.</li> <li>◦ Affiliates receive 50% of subscription revenue.</li> </ul> <p><b>2. Donations</b></p> <ul style="list-style-type: none"> <li>◦ Viewers can donate to streamers by giving a piece of Twitch currency, called a "Bit." Each Twitch Bit is worth one cent. Twitch viewers purchase Bits and use them to support their favorite streamers.</li> <li>◦ Unlike with subscriptions, Twitch Affiliates receive 100% of their Bit donations.</li> </ul> <p><b>3. Game Sales</b></p> <ul style="list-style-type: none"> <li>◦ During each Twitch stream, Streamers can choose to add a "Buy Now" button for the game they're playing. The streamer will receive 5% of every sale that originates from their stream.</li> </ul>	<p><b>1. Subscriptions</b></p> <ul style="list-style-type: none"> <li>◦ Partners received 75% of subscription revenue.</li> </ul> <p><b>2. Donations</b></p> <ul style="list-style-type: none"> <li>◦ Same as Affiliates.</li> </ul> <p><b>3. Game sales</b></p> <ul style="list-style-type: none"> <li>◦ Same as Affiliates.</li> </ul> <p><b>4. Advertisements</b></p> <ul style="list-style-type: none"> <li>◦ Each Twitch Partner earns revenue every time an ad plays during their stream.</li> </ul> <p><b>5. Other</b></p> <ul style="list-style-type: none"> <li>◦ Becoming a Twitch Partner opens up additional revenue-making opportunities, including promotions and sponsorships.</li> </ul>

# TWITCH TOP CREATORS

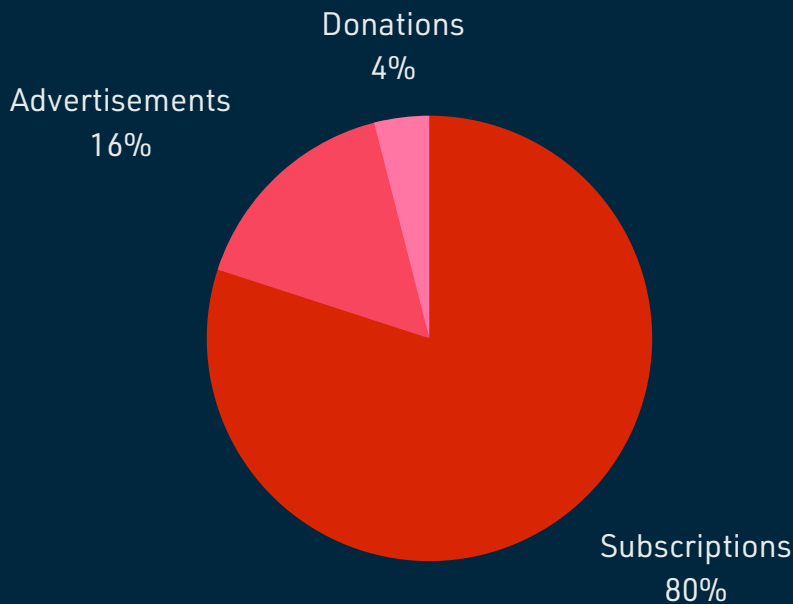
## TOP CREATORS BY FOLLOWERS

Millions. (2021)



## REVENUE SOURCES OF TOP TWITCH CREATORS

% Total Revenue Paid By Twitch (2021)

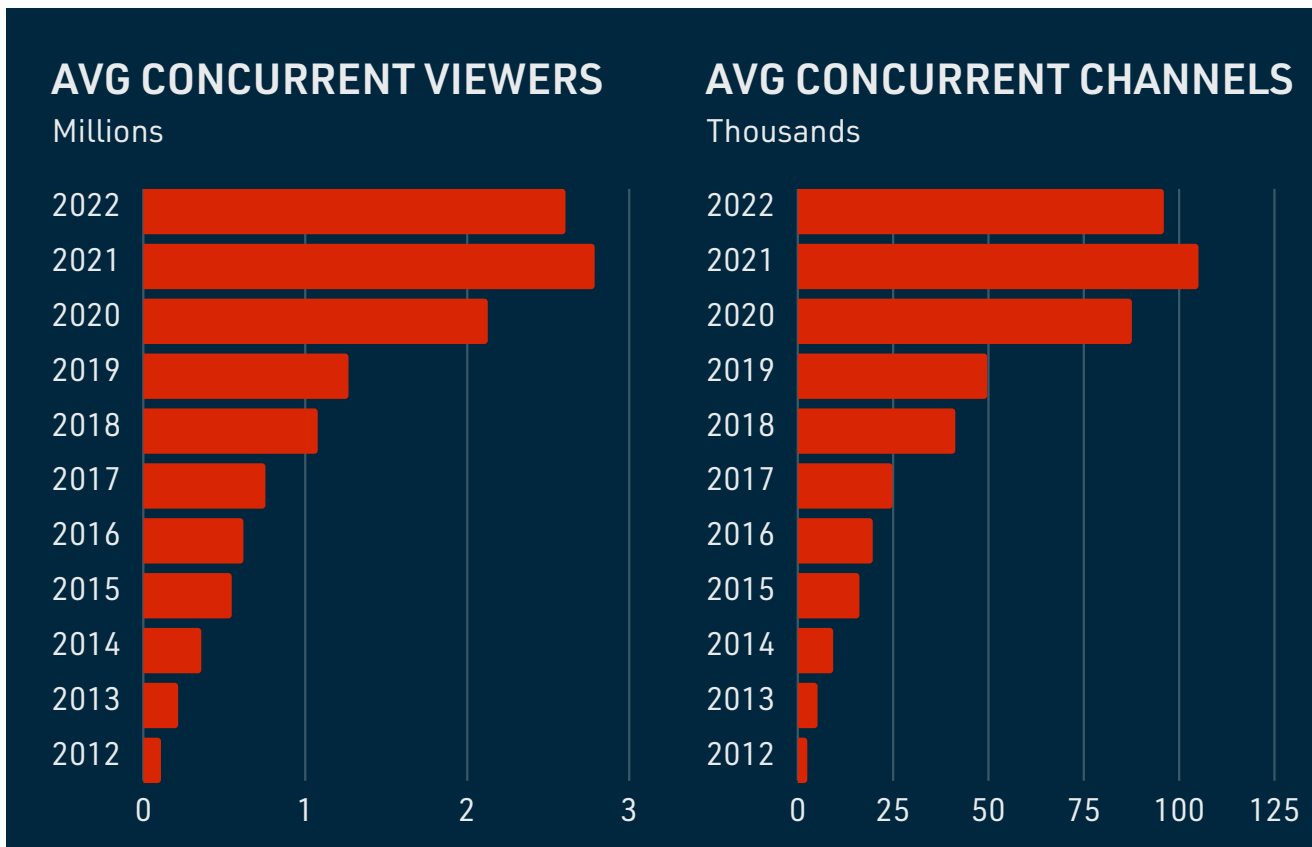


Source: Twitch Tracker

# TWITCH

## STABILIZING GROWTH

Although the number of active Twitch channels and concurrent viewers has declined from the pandemic-induced highs of 2020 and early 2021, it is still showing strong growth over 2022 in the “new normal”.

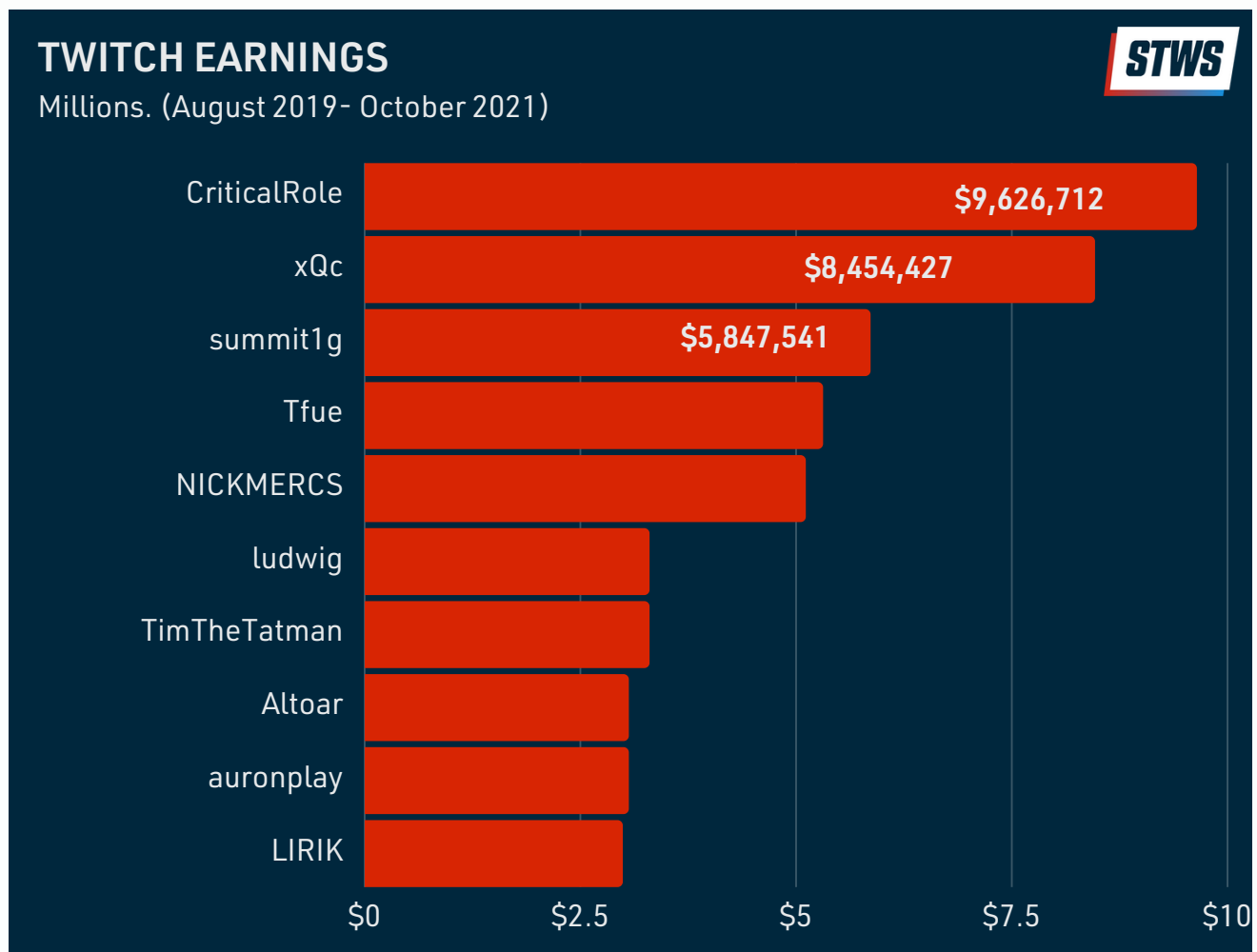


Source: Twitch Tracker

# TWITCH TOP EARNERS

The top 10 Twitch streamers earned a combined \$50M directly from the platform from August 2019 to October 2021.

A 2021 breach of Twitch’s data exposed information of payouts for streamers over the course of August 2019 through October 2021. The Twitch payout leaks only include money from subscriptions, donations and advertisement revenue paid directly by Twitch. The figures do not include any personal sponsorships, merchandise or direct donations a streamer might have had over that period of time. The payouts also do not include any money they may have received from Twitch directly for signing a contract to stream exclusively on the platform.



Source: Twitch Data Leak (2021)



# TWITCH

## ADULT CONTENT CREATORS

Twitch star Kaitlyn 'Amouranth' Siragusa earns approximately \$1.5M every month from adult content platform OnlyFans, which is more than she earned in over two years of Twitch payouts.

Amournath has 5.65M Twitch followers (ranking at 15th highest on the platform) but due to her links to "adult content" on her channel, monetization options are deactivated by Twitch. Prior to this, the Twitch data leak revealed she earned \$1.3M over a 14-month period. The 28-year-old has earned \$33M gross revenue (\$27M net) from adult content platform OnlyFans. Amournath recently created her own agency in order to help other creators monetize on OnlyFans whilst dealing with demonetization from other streaming platforms.

Amouranth @Amouranth

it's not about the money.  
It's about sending a message

Referrals	\$0.00	\$0.00
Streams	\$0.00	\$0.00
<b>TOTAL</b>	<b>GROSS \$33,760,272.48</b>	<b>NET \$27,006,617.98</b>

July, 2022	\$587,301.82
June, 2022	\$1,598,110.17
May, 2022	\$1,568,752.58
April, 2022	\$1,570,836.22
March, 2022	\$1,418,627.28

4:44 PM · Jul 8, 2022 · Twitter Web App

1,370 Retweets 3,873 Quote Tweets 41.7K Likes

Source: Amournath (Twitter)

# YOUTUBE CREATOR COMPENSATION

YouTube has paid out more than \$30 billion to creators in the past three years from ads, merchandising and other service features.

## YOUTUBE CREATOR

### CRITERIA

To qualify, your channel must have had the following during the previous 12 months:

- Be "in good standing" with YouTube
- A minimum of 1,000 subscribers
- At least 4,000 hours of watch time
- YouTube will pay out streamers when their video views reach a balance of \$10

### PRIMARY REVENUE SOURCES

#### 1. Advertising Revenue

- Google places display, overlay, and video ads on creators' videos.
- YouTube keeps 45% of advertising revenue with 55% going to the video creator.
- Estimated creators earn between 0.3 cents to 1 cent per video view.
- Creators don't get paid per subscriber. The exception is for YouTube Premium subscribers as Premium offers an ad-free experience. Therefore subscribers won't see ads on the video. So YouTube substitutes a small amount of revenue for YouTube Premium subscribers that subscribe to the creators channel.

#### 2. YouTube Shopping / Affiliate Marketing

- YouTube Shopping is the creator's own storefront on YouTube where they can directly sell their products like merchandise to their fans.
- Affiliate marketing has a link in creator's video description directing viewers to a third party site where they can purchase the recommended product or service. If the viewer ends up making a purchase, the YouTuber will receive a percentage of the purchase price.

#### 3. Sponsorship / YouTube BrandConnect

- BrandConnect uses Google technology to understand creator's audience, match them with brands looking to advertise on branded content campaigns.



# YOUTUBE TOP CREATORS

At least 50% of the Top 10 YouTube Creators focus on gaming-related content.





# 4

Market forecast  
& who to watch

# EXPERT PREDICTIONS

WHERE ARE WE GOING?



# KEY TAKEAWAYS

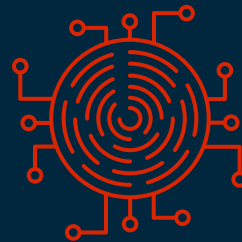
What is the greatest challenge currently facing the industry?

## ESPORTS MONETIZATION



What has been the most overblown or overhyped trend in the last 18 months?

## BLOCKCHAIN IN GAMING



What emerging developments, changes or trends are you most excited about over the next 18 months?

## GATEWAY TO THE METAVERSE



# INDUSTRY CHALLENGES ESPORTS MONETIZATION

## What is the greatest challenge currently facing the industry?

As previously noted, esports teams have a problem with diversified and sustainable revenue sources including an over-reliance on sponsorship.

The majority of esports teams are currently unprofitable, relying on external investment. For example, the following esports teams posted net losses in H1 2022:

- OverActive Media \$5.5M
- FaZe Clan \$9.3M (Q2)
- Enthusiast Gaming \$21.6M
- Allied Esports \$7.4M

## EXPERT PREDICTIONS



"Monetization. Esports are still far too dependent on VC and it's getting hard to see how that will change without using influencers/creators and their associated brands to support unprofitable esports divisions. I believe publishers, who benefit greatly from these esports orgs, need to step up on this front."

**Phil Ranta**  
Wormhole Labs



"Profitability within esports firms and declining viewership of top esports titles."

**Mark Cai**  
NVIDIA



"Expanding the fan base for competition viewership. Right now there's an entire ecosystem, including influencers and side-content, which is great. But the actual competitive scene seems stagnant to me. Few outside of the esports world care. We need innovation."

**Andy Babb**  
Super League Gaming



"The financial health of the esports side of the team businesses, especially for Tier 2 teams and beyond."

**Stephen Ellis**  
Pipeline



# INDUSTRY CHALLENGES

## ESPORTS MONETIZATION

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Esports is a competitive industry that with the forecast economic downturn will only become more difficult.

As noted earlier in this report, the rise in many esports organizations' valuations is mostly due to the potential of their other business units, rather than the competitive esports teams themselves which are over-reliant on sponsorship.

The streamers and esports athletes who make up the rosters of esports organizations are in-demand content creators that can connect and drive affinity with an impassioned global audience to generate revenue opportunities beyond just sponsorship.

As esports grows more ingrained in popular culture, the business models that underpin its growth and sustainable success are beginning to evolve. It's expected that more esports organizations will change from being competitive teams in the traditional sporting model to agencies and brand consultancies created to connect brands and communities with their talent. The majority of these teams already possess the skills and assets required to provide these services but it is a question of how quickly they can evolve to meet these needs.



# OVERHYPED BLOCKCHAIN IN GAMING

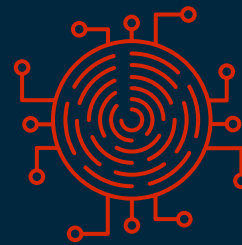
## What has been the most overblown or overhyped trend in the last 18 months?

The overwhelming majority of experts felt that many blockchain-powered initiatives including the integration of cryptocurrencies and Non-Fungible Tokens (NFTs) into gaming had failed to live up to the promise.

An example of this in action is play-to-earn gaming which rewards players with cryptocurrency tokens for engaging in gameplay. Players can use these tokens to buy NFTs assets within the game. Players then make an effort to raise the worth of their NFT through gameplay tasks that reward them with more in-game cryptocurrency.

However as the NFT and underpinning cryptocurrency tokens are tradable assets they are susceptible to price fluctuations. As illustrated by the play-to-earn game Axie Infinity. The game's main tokens, Axie Infinity Shards (AXS) and Smooth Love Potion (SLP) have declined 89% from a peak of \$160 to \$18, and 99% from a peak of \$0.36 to a price of \$0.005 respectively.

## EXPERT PREDICTIONS



"Everyone was suddenly a blockchain company. It's the easiest term to throw around to grab investor capital. I believe in digital ownership of goods but this is overhyped and not yet proven."

**Jimmy Baratta**  
Holodeck Ventures



NFTs. Although they will eventually be appropriately hyped.

**Ryan Fairchild**  
Odin Media & Law



"Play-to-Earn has been everywhere and while the underlying technology will play a dominant role in the gaming industry, the current games are often far away from delivering a good player experience - overhyped right now."

**Chris Hana**  
Kotex



"It seemed that NFT adoption in gaming and esports would be quicker and easier. The initial setbacks do not derail this trend, but they do show that gamers and esports fans are not always early adopters of new tech solutions."

**Maciej Sawicki**  
inSTREAMLY



# OVERHYPED BLOCKCHAIN IN GAMING

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On July 20th, 2022, Minecraft announced a ban on the integration of NFTs and other blockchain technology integrations into the game.

"...Each of these uses of NFTs and other blockchain technologies creates digital ownership based on scarcity and exclusion, which does not align with Minecraft values of creative inclusion and playing together. NFTs are not inclusive of all our community and create a scenario of the haves and the have-nots. The speculative pricing and investment mentality around NFTs takes the focus away from playing the game and encourages profiteering, which we think is inconsistent with the long-term joy and success of our players..."



"...Like any digital file, NFTs can be copied, moved, or even deleted. Additionally, NFTs and blockchain have also been associated with price speculation. These uses of NFTs and other blockchain technologies create digital ownership based on scarcity and exclusion, which does not align with Minecraft's values of creative inclusion and playing together." Source: Minecraft

Minecraft is one of the most popular games of all time, especially for content creators, selling close to 240 million copies worldwide since its public release in 2011. In 2021, videos related to the game passed more than one trillion views on YouTube. Minecraft developer Mojang Studios was acquired by Microsoft for \$2.5 billion in 2014.

NFT advocates are cynical of Microsoft's stated motivations for the ban, highlighting that they have economic incentives for banning NFTs. Microsoft takes about 50% of the revenue generated by third-party content in the game but can't do the same for NFT sales. In addition to any technical conflict, this creates an economic conflict between creators and centralized developers. However, Microsoft claims it is protecting the creative inclusivity of the game.

# EMERGING TRENDS METAVERSE

What emerging developments, changes or trends are you most excited about over the next 18 months?

Although there was disappointment with the current integration of blockchain technology into gaming, our experts were bullish on the overall impact of Web3 and the metaverse for the industry going forward.

Gaming and esports present the most tangible experience of an immersive, open platform metaverse (or metaverses) that we have seen so far. Gaming and esports combine the underpinning technology, such as game engines and VR, with a digitally native fan base.

Investment and M&A activity are increasing in this space, with \$2.3 billion raised for Web3-related startups in the first half of 2022. For example, metaverse technology specialist Infinite Reality completed a US\$470 million acquisition of esports/entertainment company ReKTGlobal in July, 2022 with a post-close valuation of \$2.47 billion.

## EXPERT PREDICTIONS



"Growth of authentic community in the metaverse. The shift of Gen Z to be leading the charge into the metaverse and in turn pulling the brands and providers into the space."

Alison Alexander  
Metacampus



"As the CEO of a metaverse company, I'm literally paid to say 'the emergence of the metaverse'. However, I think the most important aspect of this trend I'm excited about is a more stable and cross-platform digital identity. The new gamer tag will be avatars."

Phil Ranta  
Wormhole Labs



"VR esports and the next generation of VR headsets, which will unlock a whole new spectrum of VR-only immersive experiences"

Theta  
ThetaVR



"The further application of Web3 in gaming. There are so many interesting companies doing great work right now. It's an exciting time. Would love to see how that further cascades into esports."

Tegan Knight  
Activision Blizzard

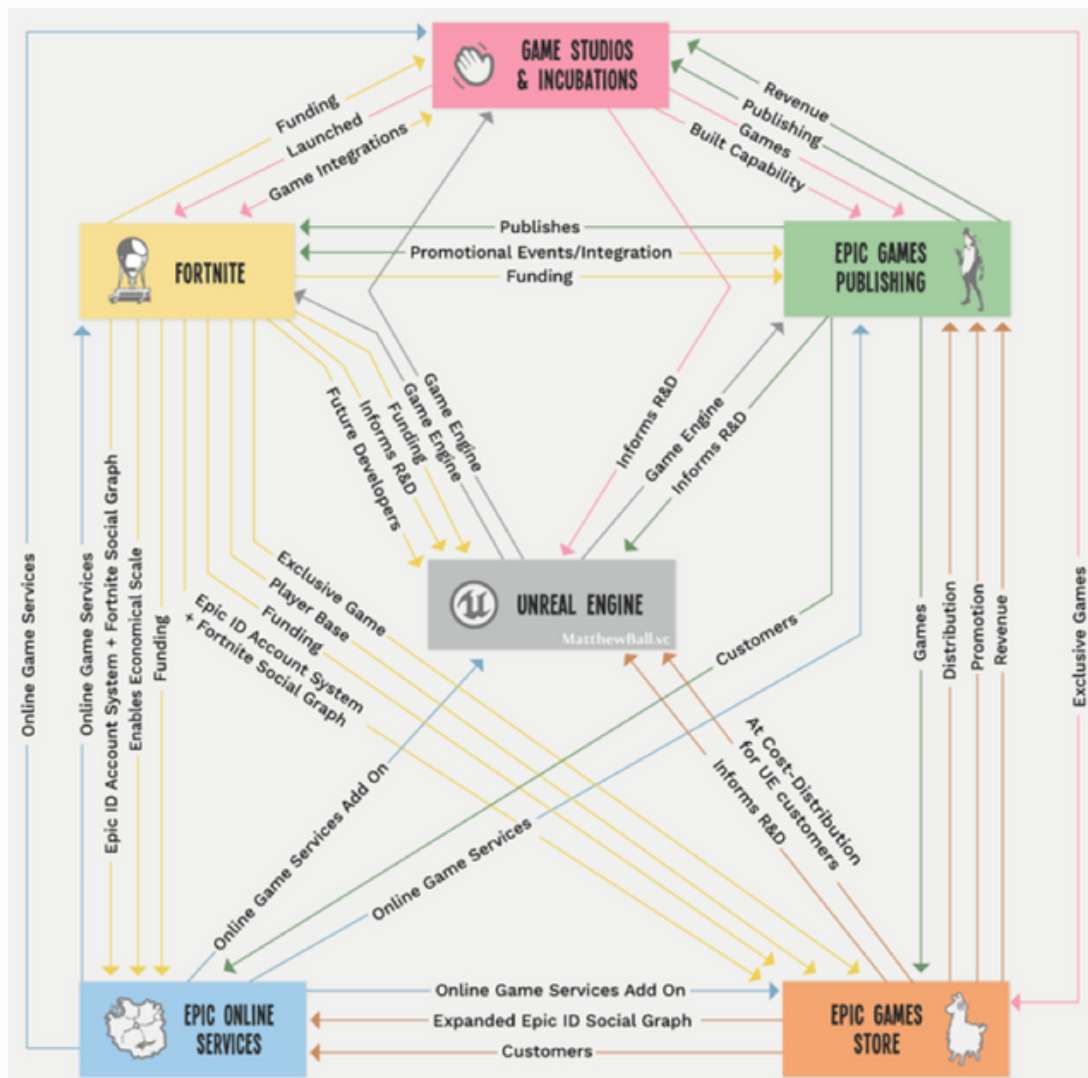


# EMERGING TRENDS

## GATEWAY TO THE METAVERSE

Influential investor and metaverse expert, Matthew Ball, highlights Epic Games as the undeniable role of gaming companies at the vanguard of realizing the future of the metaverse.

### THE EPIC GAMES FLYWHEEL



"If Epic is successful in building out its 'flywheel', it will even more dramatically reshape the digital world - from data and privacy rights, to emergent technical standards, the distribution of profits, and the very ways in which humans work and relax [in] the long-term vision of society's future: the Metaverse."

Source: MatthewBall.vc

# TIPALTI INTERVIEW

## What is the greatest challenge currently facing the industry?

How Web3 fits within the industry and how businesses can integrate it authentically is a real challenge. There are some companies doing really innovative and cool things whilst also being authentic to their brand. For example, Gucci and their presence in certain games like Fortnite that are really popular with younger demographics. But then there are plenty of businesses that aren't necessarily doing a great job of authentically trying to incorporate Web3 into their products.

## What has been the most overblown or overhyped trend in the last 18 months?

It's the same issue here: poor integration of the blockchain into your products or services. There are undoubtedly lots of benefits to it and the potential to boost your brand if you get it right. But again, doing it authentically is really important. So I think businesses shouldn't just try to apply crypto, NFTs or blockchain to their product without a genuine business use-case or a real, tangible benefit to their consumers.

**EVAN HELBY**  
Tipalti



"How can we support our customers and their fans in a way that is adapting to the best of what modern technology has to offer?"

## What emerging developments, changes or trends are you most excited about over the next 18 months?

From our perspective as a B2B rather than a B2C company, one of the things we are really interested in is to see how more B2B companies start to engage meaningfully with Web3 and the metaverse. We power some of the most creative and innovative companies in the digital world to enable creators, influencers, photographers, artists, and musicians to really focus on what matters to them most and that's their craft. So we're asking what kind of presence could or should we have and what is the benefit going to be to our company and our customers.

So how can we authentically enter this next stage of modern technology and how can we do it in a way that stays authentic to our brand and stays authentic to what got us to the point that we are at today?

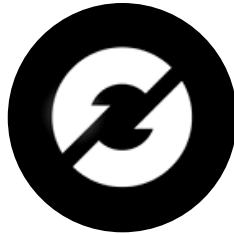
# STARTUPS TO WATCH

We asked each of our global industry experts to identify a startup or scale-up company that impressed them most in the last 18 months.



### Statespace

We're using cognitive science and artificial intelligence to revolutionize the way humans improve.



### Loaded

Game everywhere. Fast-moving gaming management and advisory firm.



### Polygon

A global, sustainable web3 infrastructure on Ethereum. Carbon-neutral, going carbon-negative in '22



### Matterport

The leading spatial data company focused on digitizing and indexing the built world.



### Talon Esports

Professional Esports organisation based in Hong Kong, South Korea, Thailand and Taiwan.



### OTK Media

The #1 livestreaming and media production company on the internet.



### Metafy

1:1 Coaching from the best players in the world.



### eFuse

The #1 platform for gamers to meet, compete and get discovered.



### Esports Engine

Delivering industry-leading turnkey esports operations and legendary experiences for the fans.



### Juked

Join a community of passionate esports fans to discuss the games, teams, and leagues you love.



### Esposure

Proprietary Educate to Entertain (E2E) platform to simplify your pathway to pro.



### Tier One Entertainment

Venture-backed esports and gaming organization. Home of world champions Blacklist International

# STARTUPS TO WATCH



## Infinite Reality

Innovation and entertainment company providing tools to build open Metaverse experiences.



## Shikenso

We deliver comprehensive evaluations of your marketing and sponsorship campaigns.



## Overwolf

A framework for developing gaming apps and mods



## RTFKT

Merging Worlds Avatars, next Gen Sneakers and Collectibles for the Metaverse.



## Akrew

Software Development expanding the player experience beyond the game



## Virtex

The team behind the world's first virtual esports stadium



## Prediction

Interactive social video conversation experiences focussed on esports & gaming.



# CONTACT

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