

MEDIA

Maintain NEGATIVE

The Rise of E-Sports

KEY INVESTMENT HIGHLIGHTS

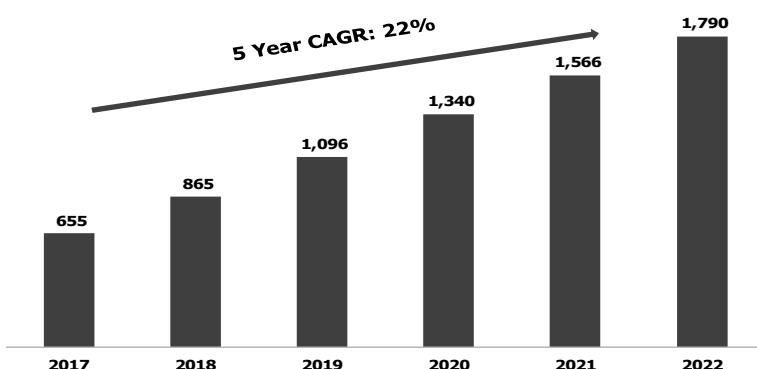
- eSports is commonly defined as a multiplayer competitive online gaming activity, be it on the mobile, PC and console which in recent years have risen to becoming a mainstream entertainment
- The global eSports gaming market has topped the one billion dollar revenue mark in 2019 and it is continuing to grow at a strong double-digit CAGR
- Asia-Pacific and Southeast Asia are the center of eSports audiences and it is expanding at a phenomenal rate especially on the mobile-gaming segment
- However, earnings contribution from eSports expected to remain minimal and the media industry is still experiencing a tough time amidst the transition from traditional media to digital media
- **Maintain NEGATIVE on the sector**

WHAT IS ESPORTS?

A competitive gaming activity. According to the Cambridge Dictionary, an eSports is “an activity of playing computer games against other people on the internet, often for money, and often watched by other people using the internet, sometimes at special organized events”. It can also be known as electronic sports which are a subsection of the electronic video gaming, sports and entertainment industries. It involves live playing and viewing of multiplayer competitions comprising the most skilled players or amateur gamers of some most successful video game titles.

Rising popularity. With the network effects of popular games across the three categories such as mobile, PC and console, growing prize amount for eSports tournaments (*chart 2*), the rising demand of live-streaming and the increasing availability of proper infrastructure for eSports league have all spurred the audience and viewers count for eSports contents year after year. The popularity can be manifested through the narrowing gap of prize pools between the eSports and traditional sports competitions (*chart 3*). According to BBC, eSports is under consideration for the inclusion in the 2024 Paris Olympics. If it were to materialize, this would bring the eSports industry to a higher notch and on par with major traditional pro sports league moving forward. In fact, eSports for the first time will be featured as a medal sport at the 2019 Southeast Asian Games in the Philippines as sanctioned by the International Olympic Committee.

Chart 1: Global eSports total revenue (USD'm)



Source: Newzoo, MIDFR

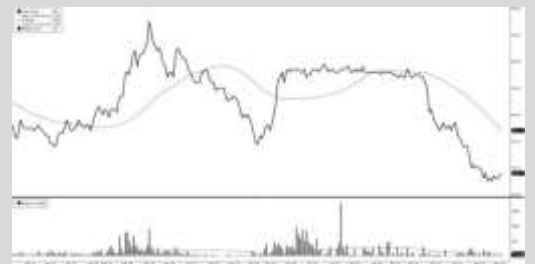
COMPANY IN FOCUS

Media Prima Bhd

Maintain **NEUTRAL** | Unchanged Target price: RM0.30
Price @ 2nd December 2019: RM0.29

- About 90% of revenue from eSports coming from sponsorships and advertising
- Signed a licensing deal to manage the IGN Southeast Asia to expand its contents portfolio
- Both traditional and digital segments continue to experience contraction in revenue

Share price chart

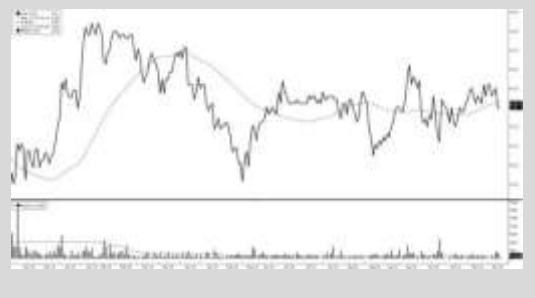


Astro Malaysia Holdings Bhd

Maintain **BUY** | Unchanged Target price: RM1.84
Price @ 2nd December 2019: RM1.40

- eGG Network as the first leading eSports channel across Southeast Asia and Australia
- Signed a partnership deal with ESL for the upcoming global eSports tournaments in 2020
- Analogue switch off is expected to boost its NJOI take up rate for its more attractive contents

Share price chart



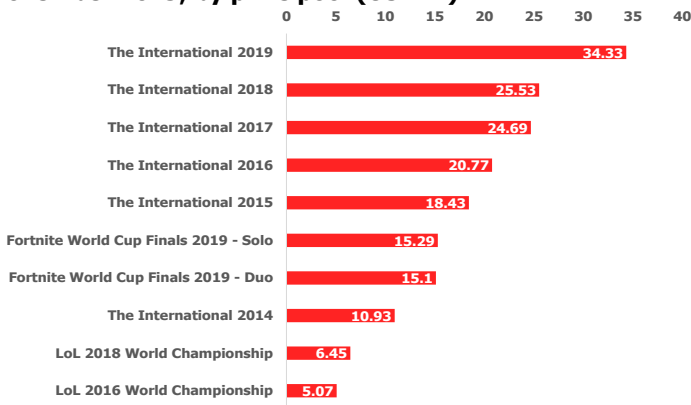
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Chart 2: Leading eSports Tournaments Worldwide as of November 2019, by prize pool (USD'm)



Source: *Esports Earnings, MIDFR*

Chart 3: Comparison of eSports Prize vs Traditional Sports (USD'm)

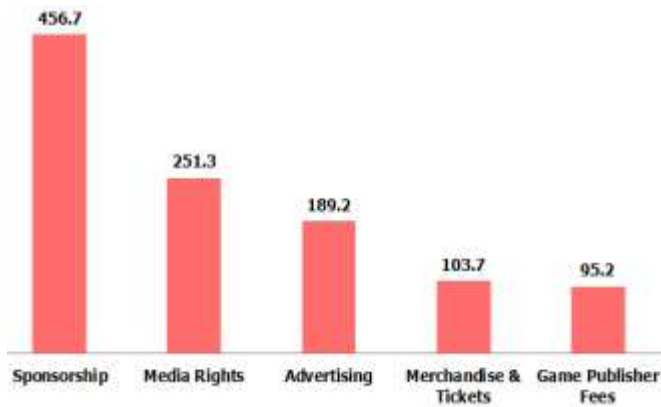
Events	Sport	Prize Pool
US Open 2019 (Tennis)	Tennis	57.2
The International 2019	Dota 2	34.3
Confederations Cup 2017	Football	20.0
Fortnite World Cup Finals 2019 - Solo	Fortnite	15.3
Indy 500 2018	Motorsports	13.1
US Open 2019 (Golf)	Golf	12.5
The Masters 2019	Golf	11.5
ICC Championship Trophy 2019	Cricket	10.0
Stanley Cup 2018	Ice Hockey	7.0
LoL World Championship 2018	League of Legends	6.5
Overwatch League - Season 2 Playoffs	Overwatch	3.5
PDC World Darts Championship 2019	Darts	2.5
Tour de France 2019	Cycling	2.3

Source: *Various, MIDFR*

A GLOBAL PHENOMENON

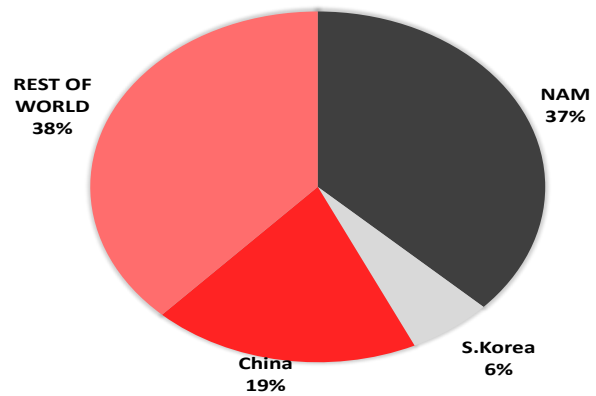
A billion dollar market. According to Newzoo, a global leader in Games and eSports analytics platform, the 2019 global eSports' total revenue is expected to hit about USD1bn with a compound annual growth rate (CAGR) of +22.0% (*chart 1*). The popularity of eSports is mainly driven by the strong network effects of famous multiplayer games and ever-increasing number of viewers for eSports contents which in turn create a wide variety of monetisation opportunities (*chart 4*) within the eSports ecosystem similar to that of a sports league. The expected +26.7%yoy growth in 2019 eSports revenue is primarily attributable to the increase in revenue derived from sponsorship (+34.3%yoy), media rights (+41.8%yoy) and advertising (+14.8%yoy). Note that media rights are being the fastest-growing eSports revenue stream and are expected to grow to USD396.0m in year 2021 with a CAGR of almost +50.0% from 2016-2021. In addition, most of the eSports revenue remains to be coming from the North America market (*chart 5*).

Chart 4: 2019 Revenue Breakdown (USD'm)



Source: *Newzoo, MIDFR*

Chart 5: Revenue breakdown by Region



Source: *Newzoo, MIDFR*

Asia-Pacific, the world's fastest growing region. The Asia-Pacific region accounts for more than half or 57% of the total eSports enthusiasts in 2019. We opine that this is largely due to urbanization, advances in IT infrastructure, popularity of mobile gaming and influx of younger generations in the region. In perspective, the global eSports audience is growing at an impressive rate of a 5-year CARG of +14.0% with an estimated count of 454.0m audience in year 2019. Dissecting further, there are 201.0m eSports fans in 2019 and they are growing at +15.7% CAGR (2017-2022). This offers a lot of opportunities for expansion as there are about 1.8 billion people will be aware of eSports worldwide in 2019. The top 14 games watched on Twitch and YouTube combined have total eSports hours of approximately 1.2 billion (*Table 1*). In addition, the 2017 League of Legends Championship already drew about 106.0m viewers, higher than the approximate 103.4m people who watched the Super Bowl in 2018, as reported by CNN. Thus, understanding the demographic of eSports fans would be a key factor. According to GlobalWebIndex, eSports fans are more likely to be young, aged between 16-24, male, and affluent where they are around 2-5x more likely to be viewing eSports tournaments each month.

Table 1: Top 14 Most Watched Games by eSports Hours on Twitch and YouTube Gaming Combined in 2018

No.	Game	Hours Watched	No.	Game	Hours Watched
1	League of Legends	347.4m	8	Fortnite	23.0m
2	Counter-Strike: Global Offensive	274.9m	9	Rocket League	22.5m
3	Dota 2	250.4m	10	Heroes of the Storm	20.3m
4	Overwatch	101.3m	11	Tom Clancy's Rainbow Six: Siege	15.7m
5	Hearthstone	54.1m	12	Magic: The Gathering	15.1m
6	StarCraft II	26.2m	13	Street Fighter V	13.8m
7	PLAYERUNKNOWN'S BATTLEGROUNDS	24.1m	14	Call of Duty: WWII	11.7m

Source: Newzoo, MIDFR

How the eSports ecosystem functions. There are five key components as depicted in *Chart 6 and 7*: (1) Channels, (2) Publishers, (3) Leagues, (4) Events and (5) Teams. These components are not mutually exclusive with many companies taking on more than one role. **Astro Malaysia Holdings Berhad (Astro) (BUY, TP:RM1.84)** owns a eSports channel and organizes events for publishers, and its own gaming events. Meanwhile, **Media Prima Berhad (MPB) (NEUTRAL, TP:0.30)**'s MyGameOn, a media channel for eSports fans, also organises its own events for sponsors and other publishers, and a publisher itself (e.g. "Ejen Ali: Emergency" mobile gaming app). Sponsorships, advertising and other revenue streams provided through consumers and brands are the life force in uplifting this booming ecosystem. Supporting brands looking to participate in eSports events are from both endemic (e.g. hardware manufacturers and computer peripherals) and non-endemic (e.g. food & beverages and auto manufacturers).

Esports companies, league and publishers to be major players. Major eSports event such as "The International" which is the Dota 2's flagship annual World Championship (*chart 2*), would require teams of professional players which often are a part of a larger organization such as "Cloud9". Meanwhile, most popular eSport video games have their own league where there are regular season, playoffs, and world championships. For instance, league tournaments such as League of Legends Championship Series, Call of Duty World League and Pro League for CS:GO are organized by companies such as Riot Games, Major League Gaming (MLG) and Electronic Sports League (ESL) respectively. Each eSports games are ultimately belonging to their respective publishers who hold the intellectual property rights of the games. The ecosystem would not exist without the creation of popular games by the publishers themselves as well as eSports fans that are willing to allocate their attention to eSports contents that could ultimately generate monetization opportunities.

Chart 6: Global eSports Ecosystem



Source: Newzoo

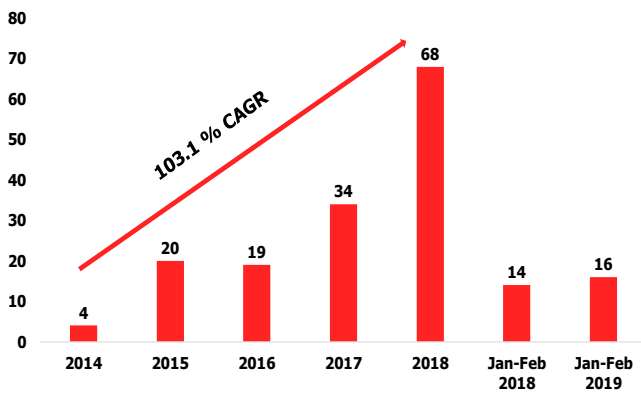
Chart 7: How The eSports Ecosystem Works



Source: Nielsen

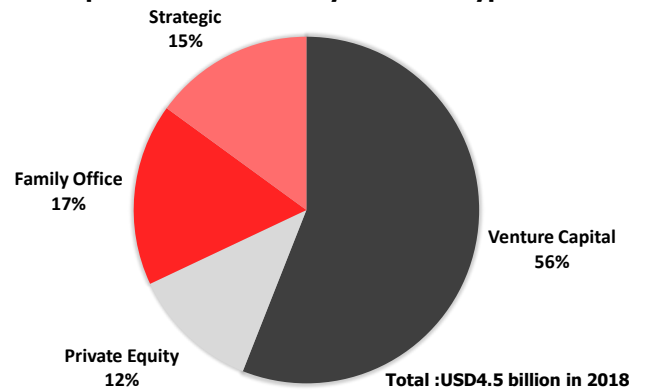
Rising investments into the eSports. For the past 5 years, the number of investments in eSports globally has been growing at an astounding +103.1% CAGR (*chart 8*) with a total deals worth about USD4.5 billion invested in year 2018. We are of the view that some of the major deals throughout the past years that outlined in *Table 2* are of paramount importance in accelerating the eSports’ development. For instance, Tencent has invested USD632.0m and USD461.0m in Douyu and Huya TV, the two streaming platforms where most of the eSports contents in Asia are viewed from. This indicates the future potential of the eSports economy and its staying power through the increasing investment dollars into this space. The five primary categories for eSports investment opportunity are shown in Chart 10 where majority of investment amount and counts are on the Developers and Media Platforms & Advertising segment. This is in line with the strong revenue potential of the media rights/ intellectual property and sponsorships/advertising of game developers and media platforms respectively. As in any nascent industry, venture capital remains the predominant driver of investment within the eSports industry, accounting for 56% of total investment in year 2018 (*Chart 9*). Moving forward, with such strong demand growth in eSports contents, opportunities for further expansion in cross industries, as well as the adoption of “franchises” business models would all help to spur the investments into eSport.

Chart 8: Number of Investments in eSports Globally



Source: Deloitte, The Esports Observer, MIDFR

Chart 9: eSports Investments by Investor Type



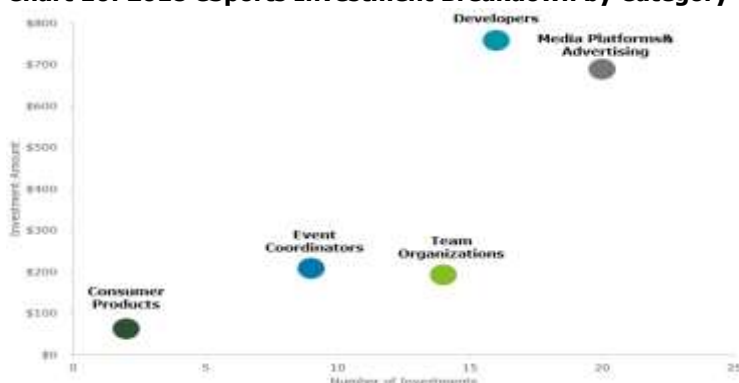
Source: Deloitte, The Esports Observer, MIDFR

Table 2: Global eSports Mergers and Acquisitions

Target	Investor/Acquiror	Year	Amount (USD’m)	Category
Riot Games	Tencent Holdings	2011	400	Developer
Twitch	Amazon	2014	970	Streaming
ESL	MTG	2015	87	Events
MLG	Blizzard Entertainment	2015	46	Events
Astro Gaming	Logitech	2017	85	Consumer Products
Cloud9	Valor Equity	2018	50	Teams
Discord	Tencent Holdings	2018	150	Streaming
Roccat	Turtle Beach	2019	19	Consumer Products

Source: Deloitte, The Esports Observer, MIDFR

Chart 10: 2018 eSports Investment Breakdown by Category



Source: Deloitte, The Esports Observer

GREATER SOUTH EAST ASIA (GSEA): THE FASTEST GROWING GAMES MARKET IN THE WORLD

GSEA to play a pivotal role in accelerating eSports development. In order to determine the growth of the eSports scene in GSEA, it is imperative to look at the growth of region’s total eSports and gaming market. According to Newzoo, the majority of the eSports fans are residing in Asia-Pacific, accounting for about one-third of the Asia-Pacific’s eSports enthusiasts. Taking reference from chart 13, GSEA including Taiwan occupies the 6 spots out of the top 10 highest percentage of viewers of eSports tournaments in the world. We are of the view that the main driving forces behind would be the inclusion of eSports as a medal event in the 2019 SEA games in Philippines and live streaming as well as the proliferation of new eSports league and tournaments in the region. Note that the eSports and gaming market in Asia-Pacific region as a whole is the biggest in the world, accounting for 49.0% of global revenues with over USD66.2 billion in 2018. Albeit GSEA still in its emerging stage, it is the fastest-growing eSports audience in the region with a CAGR of +36.1% between 2015 and 2019, higher than the global average of +19.1%.

Chart 11: SEA’s Games Revenue by Category

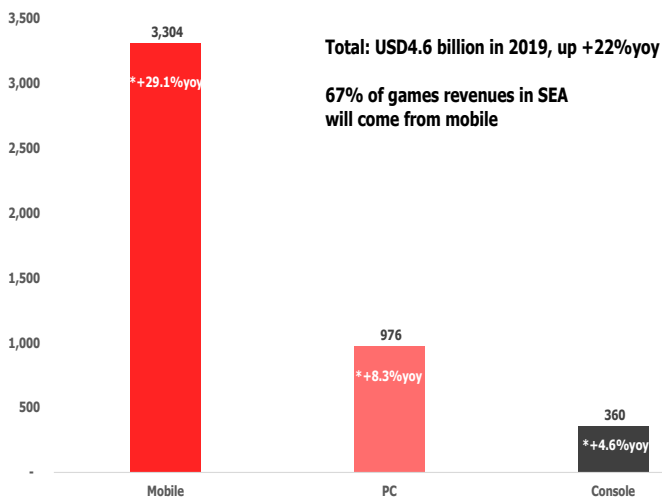
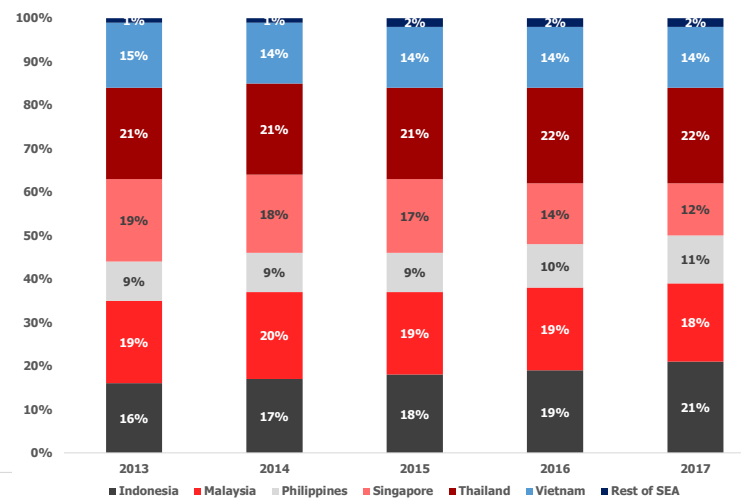


Chart 12: Gaming revenue share in Southeast Asia from 2013 to 2017, by country



Source: Newzoo, MIDFR

Source: Statista, MIDFR

*Revenues per devise with year-on-year growth rates 2019

Chart 13: Percentage of Males aged 16-24 who have watched an eSports Tournament



Source: GlobalWebIndex

Mobile gaming is the primary driving force. According to Niko Partners, a leading provider of market intelligence regarding the Chinese and Southeast Asian games industry, forecasted a +22.6% CAGR (2017 to 2021) for the GSEA's gaming revenue to hit about USD3.1 billion in year 2020. This is predominantly spurred by the rapid growth of the mobile eSports gaming revenue with a +32.7% CAGR in which Asia-Pacific region has the highest percentage of eSports mobile gamers (*chart 14*). Meanwhile, the SEA's games market is expected to generate USD4.6b of revenues with over two-thirds (67%) to be coming from mobile, compared to 24% on PC and just 9% on console in year 2019, according to Newzoo. We opine that this is partly due to the rise in popular mobile-based battle royale titles in the region such as NetEase's Knives Out and Tencent-published PUBG Mobile. In addition, the further indication that GSEA is a mobile-first market can be evident through the revenue per device growth rates with mobile increasing at +29.1%yoy, as compared to PC (+8.3%yoy) and Console (+4.6%yoy). The gaming revenue share by country is shown in *chart 12* whereby the top three markets are Thailand, Indonesia and Malaysia.

OVERVIEW OF THE MALAYSIAN ESPORT ECOSYSTEM AND DEVELOPMENT

Establishing Malaysia as an eSports hub. The federal government of Malaysia continues to support the eSports development in the country by doubling the allocation to RM20m for eSports in budget 2020. With a strong digital footprint (*chart 15*) and mobile-centric region, Malaysia has been a choice of destination for major eSports events with an increasing establishment of eSports-related companies to capture the growing pie of the market. For instance, there have been numerous important eSports tournaments and championships held in Malaysia (*table 5*). PUBG MOBILE Club Open (PMCO) 2019 Fall Split Global Finals, the world's largest mobile eSports tournament to date has selected Kuala Lumpur to be the venue. In a recent regional gaming conference, Sony Interactive Entertainment announced it will open its first studio in Malaysia in the Southeast Asia region to support its PlayStation 5 games development, followed by Belgian videogame maker Larian Studios (the developer behind the high-profile role-playing game (RPG) Baldur's Gate 3) to be setting up its first branch in Malaysia in the Asia Pacific region. In addition, Razer Inc., a global gaming hardware manufacturing company, has opened its third heard quarter in the country. We view that these developments will continue to contribute to the rising significance of Malaysia in the eSports space.

Chart 14: Percentage (%) of mobile eSports Fan



Source: GlobalWebIndex

Chart 15: Malaysia Digital Footprint as of Jan 2019



Source: wearesocial

Business potential of eSports in Malaysia. According to App Annie and Comscore, the eSports core audiences are between the ages of 19-24 years old with 10.6m total game audience in Malaysia respectively. Given that YouTube Malaysia reported that gaming content is about 3x bigger than all sports combined in year 2018, this indicates a growing demand for eSports contents in the country especially on mobile gaming. There are approximately 5.1m monthly active users (MAUs) in the top 10 mobile games in Malaysia. The top 2 games in Malaysia at the moment are Mobile Legends and PUBGM with approximately 1.1m MAUs and 1.0m MAUs in Malaysia. Mobile gaming remains the faster-growing segment in Malaysia with RM720.0m worth of In App Purchases transaction in year 2018. This is driven by games like Mobile Legends, PUBG and Free Fire which developed by Moonton, Tencent and Garena respectively. Sponsorships for eSports tournaments in Malaysia have also been appealing and receptive by the corporations as well. MPB has managed to attract 10 sponsors for its season 2 XPAX Kejohanan E-Sukan Kampus (KEK) with the major sponsor being XPAX in the telecommunication industry. Astro's eGG Network has also managed to secure sponsors such as UMOBILE, KFC, Monster Energy, Intel and Predator for its first ever international 2018 Dota 2 KL Major eSports Tournament.

Table 3: Top Mobile eSports Games in Southeast Asia

Rank	SEA (by no. of downloads)	SEA (by revenue – mobile)
1	Mobile Legends	Mobile Legends
2	Garena Free Fire	Honor of King
3	Honor of King	Rules of Survival
4	PUBG MOBILE	-
5	Rules of Survival	-

Source: Various, MIDFR

Table 4: Top PC eSports Games in Malaysia

Malaysia
Dota 2
League of Legends
FIFA Online 3
Counter Strike
Heroes of Newerth

Table 5: Top eSports Tournaments in Malaysia in 2018

Tournament	Games	Prize Pool (USD)
3 rd World Electronic Sports Games	Multiple	5.5m
Kuala Lumpur Major	Dota 2	1.0m
ESL One Genting	Dota 2	150k
Malaysia Esports League	Dota 2	127k
Malaysia Cyber Games 2018	Multiple	76k
Play Station League Asia FIFA 18 Tournament	FIFA 18	100k

Source: Various, MIDFR

Media companies to be catalysts for the Malaysian eSports. Two of the largest media companies in the country, namely, Astro and MPB have launched their own eSports arms which are “eGG Network (eGG)” and “MyGameOn (MGO)” in year 2016 and 2017 respectively. Referring to Chart 6, both respective eSports arms have taken on the mixed role as a tournament organisers, media platforms and game publishers. Astro’s eGG Network is the first eSports channel in Southeast Asia available across 8 countries in SEA and Australia. This serve as a marketing platform for game publishers, tournament owners and advertisers to reach, engage and monetize the gaming and esports fan base in Southeast Asia. Monetisation opportunities include: (1) subscription & licensing of eGG to TV operators in other countries, (2) Advertising and Sponsorship, (3) Event revenue, (4) Talent & Merchandising revenue. The recently launched global eSports tournament, Esports Pro League (ESPL), is also partnering up with eGG Network as well to market and broadcast the global tournament in early 2020 across 16 countries, covering Asia, Europe, and the Americas. For MPB’s MyGameOn, it is also a leading eSports portal to feature eSports contents which are customized to suit local viewer. Majority of its revenue stream circa 90% is coming from sponsorship and advertising as a tournament organizer. In addition, MPB has also secured a licensing partnership deal to manage IGN Southeast Asia through a revenue sharing mechanism. We are of the view that eGG and MGO are on the right stead in not only pushing the eSports agenda forward and that the revenue contribution from the eSports arm remains healthy albeit minimal at current stage.

CHALLENGES AHEAD IN PUSHING THE ESPORTS AGENDA

Lacking of a synergistic ecosystem. In order to bring eSports to the next level in Malaysia, it needs a flourishing and complete ecosystem involving the government support and corporate sponsorship, coaches to provide eSports training, universities offering the right curriculum, and the right infrastructure such as training facilities and venues to hold and broadcast large-scale competitions. At the present moment, the ecosystem is still in its nascent stage and many of the initiatives are still not yet fully-developed and thought-through. We understand that there are still some confusion surrounding the allocation of the eSports budget. There has been some resistance in providing eSports curriculum, citing the negative side effects of gaming such as addiction, poor time management and lack of social skills and etc. In addition, the eSports industry in Malaysia is still fragmented as gamers are normally keen on one eSports game and many smaller players are trying to get in the bandwagon without providing clear value-add to the ecosystem.

Monetary incentive remains unappealing. Industry captains have indicated that Malaysia does not suffer from an eSports talent issue. However, they concern on the lack of funding and low monetary value for the eSports team which has led to brain drain. For example, some of our Malaysian DOTA players are all in teams in China due to better remuneration. As such, setting up a national league as a platform for players to compete consistently at the highest level in the country is pivotal for more players to compete at the international stage and get more high-profile sponsors for the teams. However, this requires efforts from both the government and private sector funding support.

Local content and services not being prioritized. Presently, there is a lack of interest from the publishers to invest in local servers and gaming infrastructure in Malaysia yet. This resulted in a slower pace of growth in terms of promoting and nurturing local eSports talents and events. Meanwhile, the local products are also not supported by Malaysians. There are plenty of local companies providing services and goods to the eSports ecosystem such as Todak Gaming, Orange Cybercafe chain, Pantheon and Sades in which Malaysians could opt for. Apart from that, most of the current popular game titles are developed by foreigners, there is a lack of interest and or priority given for local game developers to enhance their skills that could create intellectual properties that are on par with global titles.

CONCLUSION

Esports in Malaysia is still at its infancy. Malaysia possesses the right set of factors to develop the esports industry. This includes: i) access to fast speed internet and, ii) rising populations of internet users and mobile-users in view of urbanisation. We opine that with the upcoming set up of studios by international game developers and reputable game entertainments in Malaysia would further cement the country's positions as an eSports and gaming hub in the Southeast Asia region. In addition, the attractive business potential of eSports and gaming contents as well as a vast eSports enthusiasts base would allow Malaysia's eSports industry to continue to grow at a healthy rate. We are of the view that the mobile gaming, in particular, would continue to be the key driving force in catapulting the eSports industry. Meanwhile, the investment made into the eSports scene by **Astro** and **MPB** and their efforts in exploring the new segment of revenue opportunity are beginning to bear fruits. This can be seen from the occurrence of eSports tournaments and events taking place in the country. We also postulate that monetization opportunities remain aplenty once the ecosystem getting more mature and less fragmented. Nonetheless, the revenue and earnings contribution from eSports at this juncture remains minimal. While there is notable traction in the esport realm, the media industry is still overwhelmed by the grave concern on the traditional media front. On this note, we are maintaining our **NEGATIVE** stance on the media sector.

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.