

April 21, 2020

Video Gaming and Esports: Ready for Its Moment

Esports, a form of competitive video gaming, has a reputation for packing stadiums and attracting mass viewership numbers to rival traditional sports. With the COVID-19 pandemic leading to the suspension or cancellation of many mainstream sports events, esports stands apart for how easily it can shift live competitions to a fully virtual format. As people continue staying at home for an extended period of time, more are turning to video games and esports for entertainment and to stay connected to others.

Topics will include:

- New technology and business models used by video game publishers to increase engagement and revenues
- Insights from Nielsen on key drivers of growth in esports sponsorship and media rights
- Key events impacting the video game and esports industry and how the top players in this space are responding

Speakers:

Nicole Pike, *Managing Director, Nielsen Esports*

Ed Lopez, *Head of ETF Product, VanEck*

John Patrick Lee, CFA, *Product Manager, VanEck*

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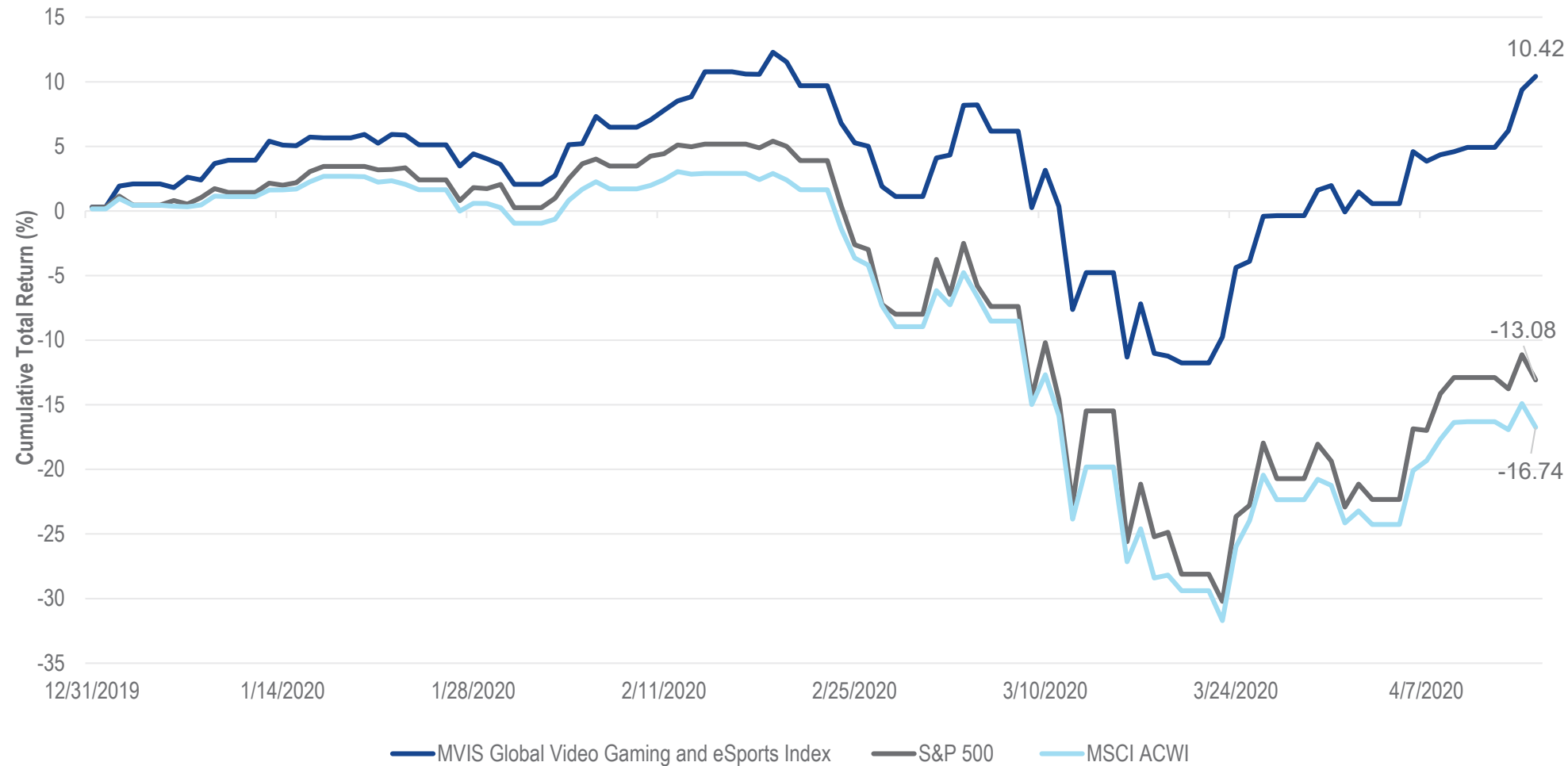
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Video Game Stocks Outperforming Broad Market



MVIS Global Video Gaming and eSports Index Performance YTD
12/31/2019 - 4/15/2020



Source: Morningstar.

Not All Video Games are Esports Titles



Gaming refers to the use of electronic games and their associated content.

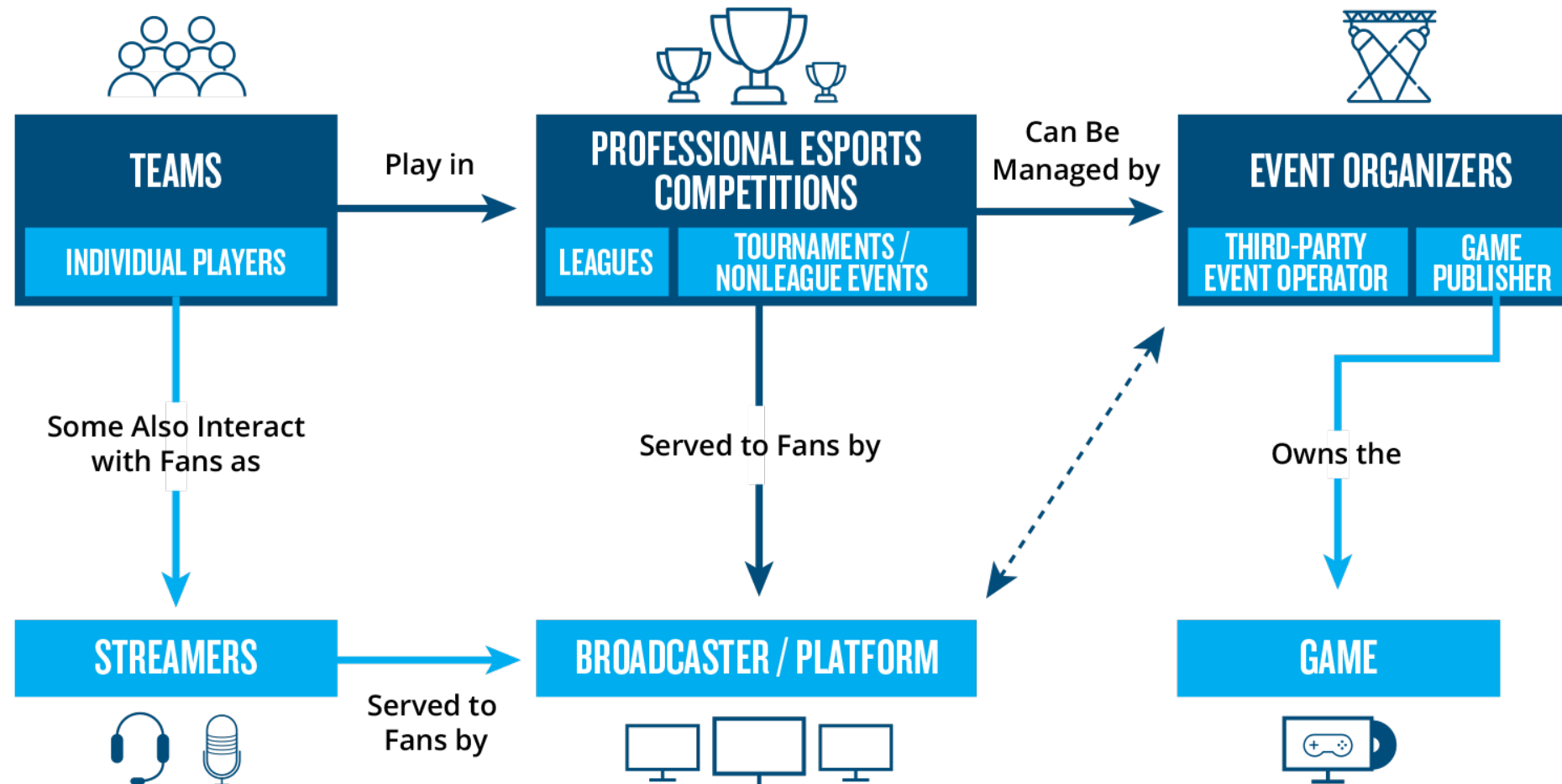
Esports refers to organized competition undertaken by a player, groups of players, or organizations (and their associated content) within Gaming.



Source: Nielsen Esports.

Competitions Form Around Esports-Appropriate Titles

- Competition Structure is Both Similar and Different from Traditional Sports



Why Video Gaming and Esports Now?



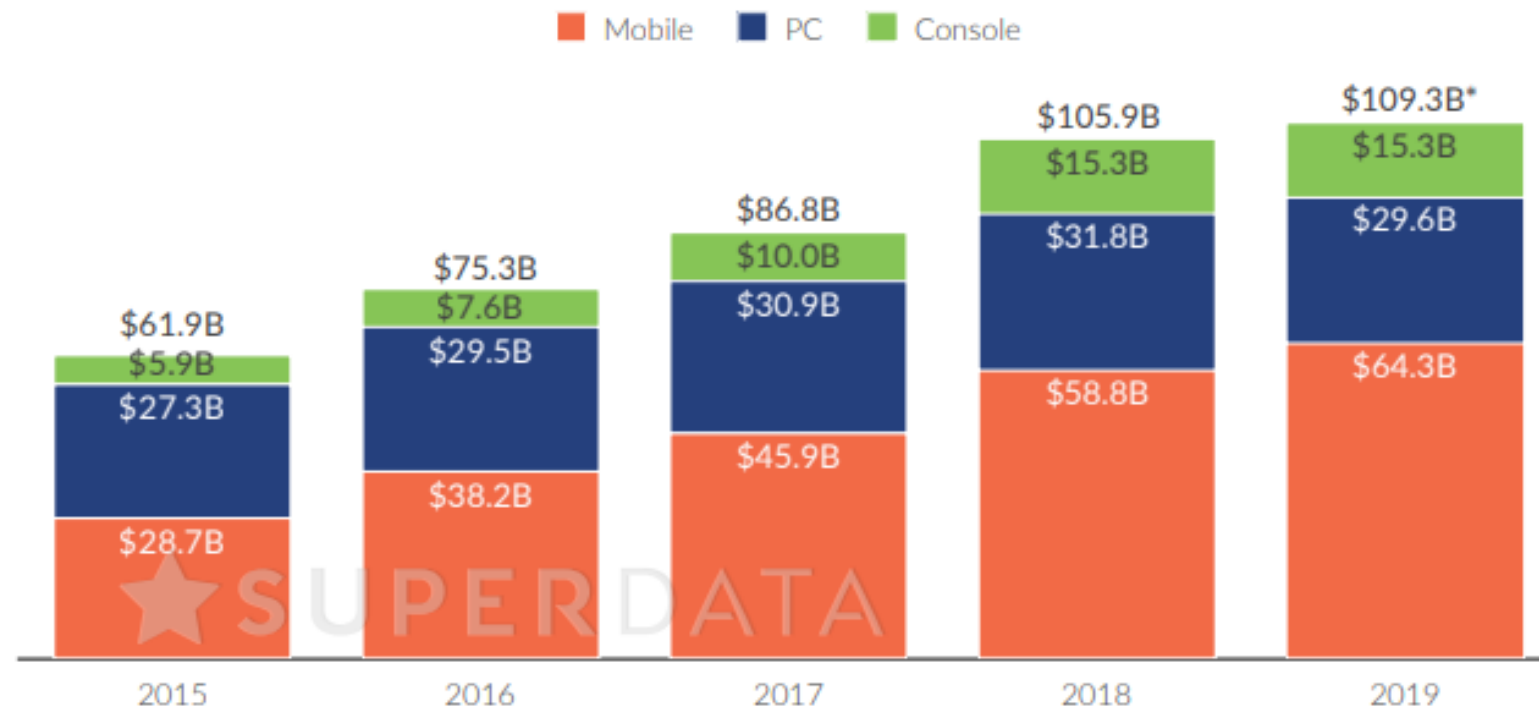
- **COVID-19 related spike in gaming engagement is an acceleration of trends that have been in place for years**
 - Esports and video game metrics have been setting records across a number of metrics and platforms
 - Video game industry growth supported by broader trend of consumer demand for online, interactive entertainment; the fragmentation of digital media (ie, cord-cutting); and demographic shifts
- **Video game publishers poised to benefit the most from esports phenomenon**
 - Publishers are now largely running esports leagues for their own titles, like Call of Duty and Fortnite
 - Allows publishers to further monetize their IP through media rights for esports broadcasts on TV and online
- **Video gaming is a globally diversified industry by game and by region, with both developed and emerging markets consumers**
 - Gaming is popular globally, but different games resonate across different countries
 - Mobile gaming is providing long-term growth momentum for video game stocks, particularly in emerging markets countries

Video Games are Big (and Growing) Business



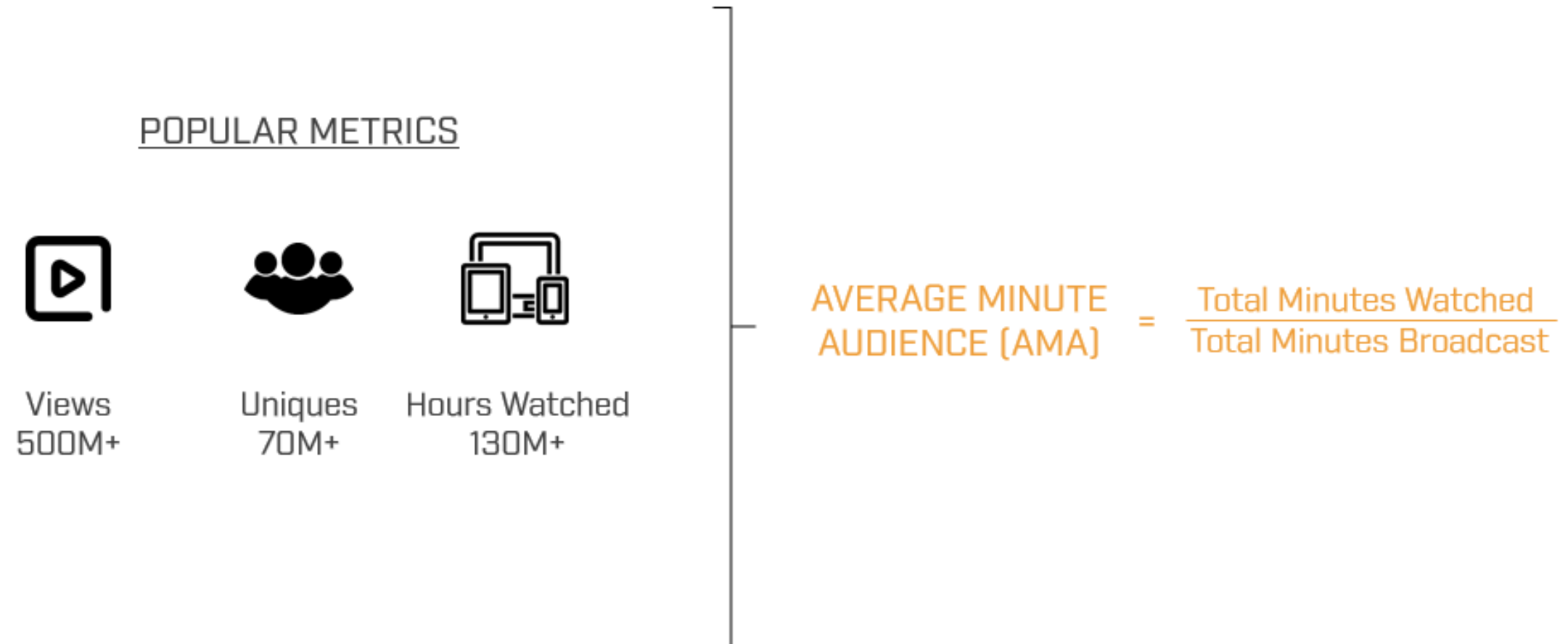
- Game publishers develop and market video games and own the commercial rights to those games
- Mobile gaming, the youngest channel by tech age, has grown quickly into the largest
- “Game as service” model is helping to boost popularity of games while increasing revenue life-cycle

Global Digital Games Revenue



Source: SuperData, A Nielsen Company.

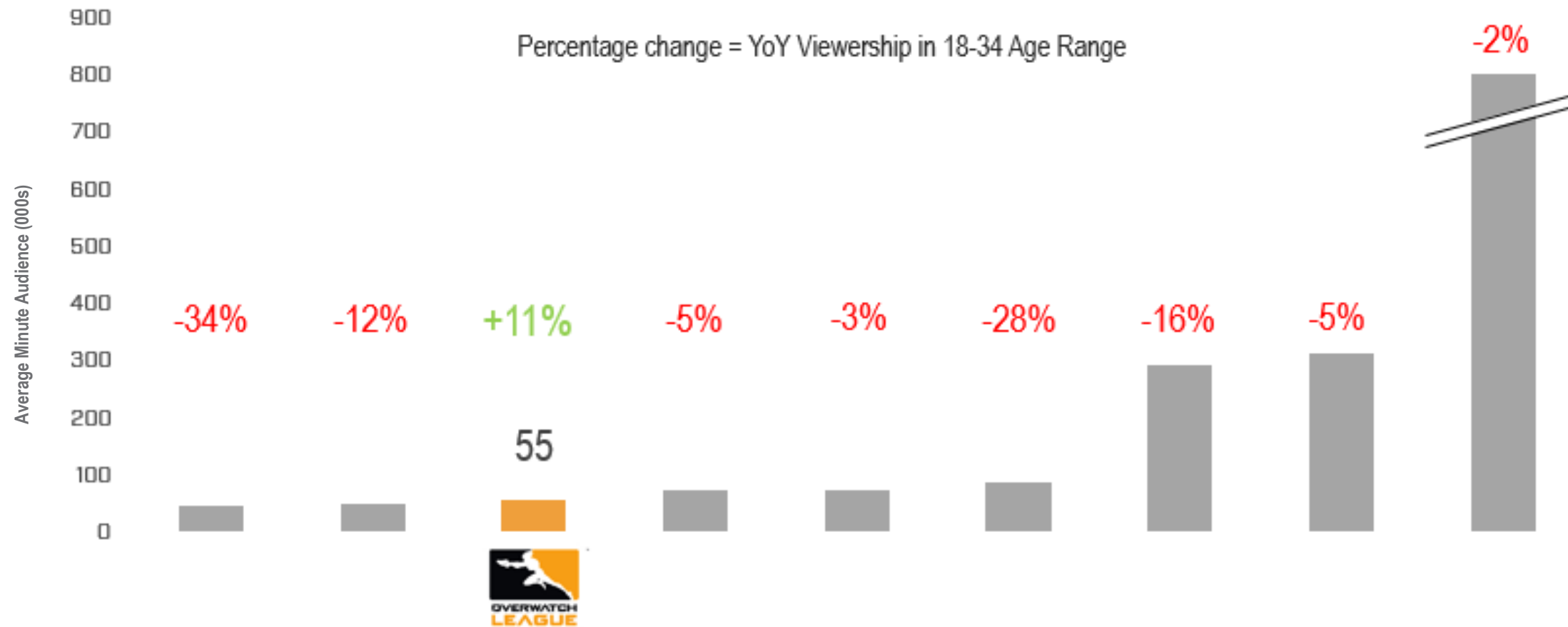
Esports Becoming More Measurable and Comparable...



...Which Builds Comparability and Trust



USA Regular Season Average Minute Audience: Ages 18-34 (000s)

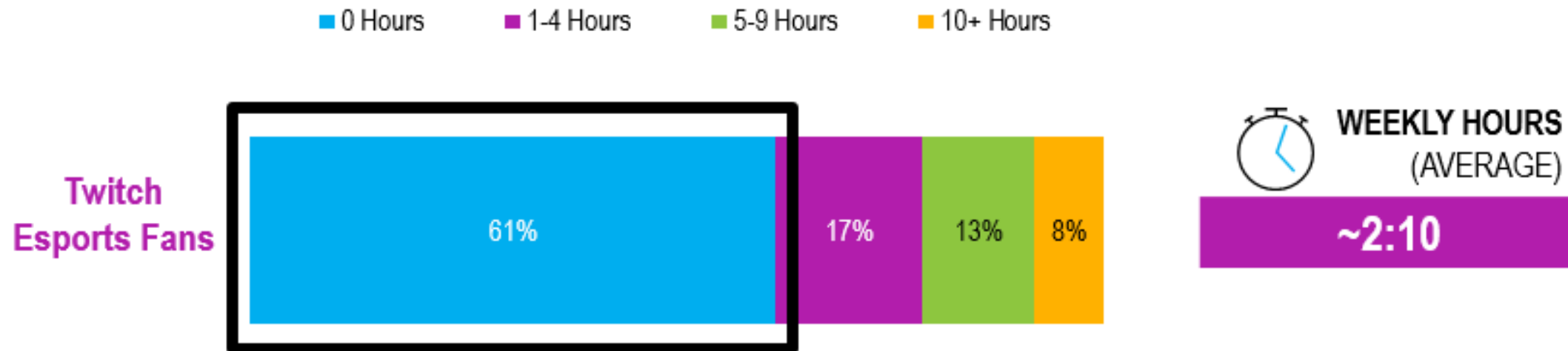


Source: Nielsen Third Party Reporting.
 Traditional Sport Viewership Numbers From Nielsen Sports September 2019, Regular Season Viewership On All Networks.
 Overwatch League Data Compiled By Nielsen – Full Regular 2019 Season.
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Cord Cutting is Real

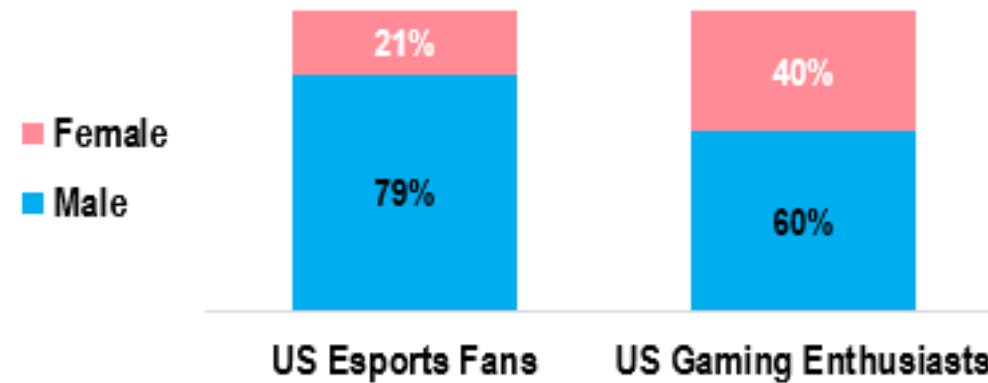


Just 50% of Twitch esports fans currently have a paid TV subscription



Source: Nielsen Esports Fan Insights – US Market.
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Esports Fans are a Valuable Audience to Reach



Average Age

US Esports Fans

25

US Gaming Enthusiasts

31



Average Annual Household Income

US Esports Fans



\$64,800

US Gaming Enthusiasts



\$61,700

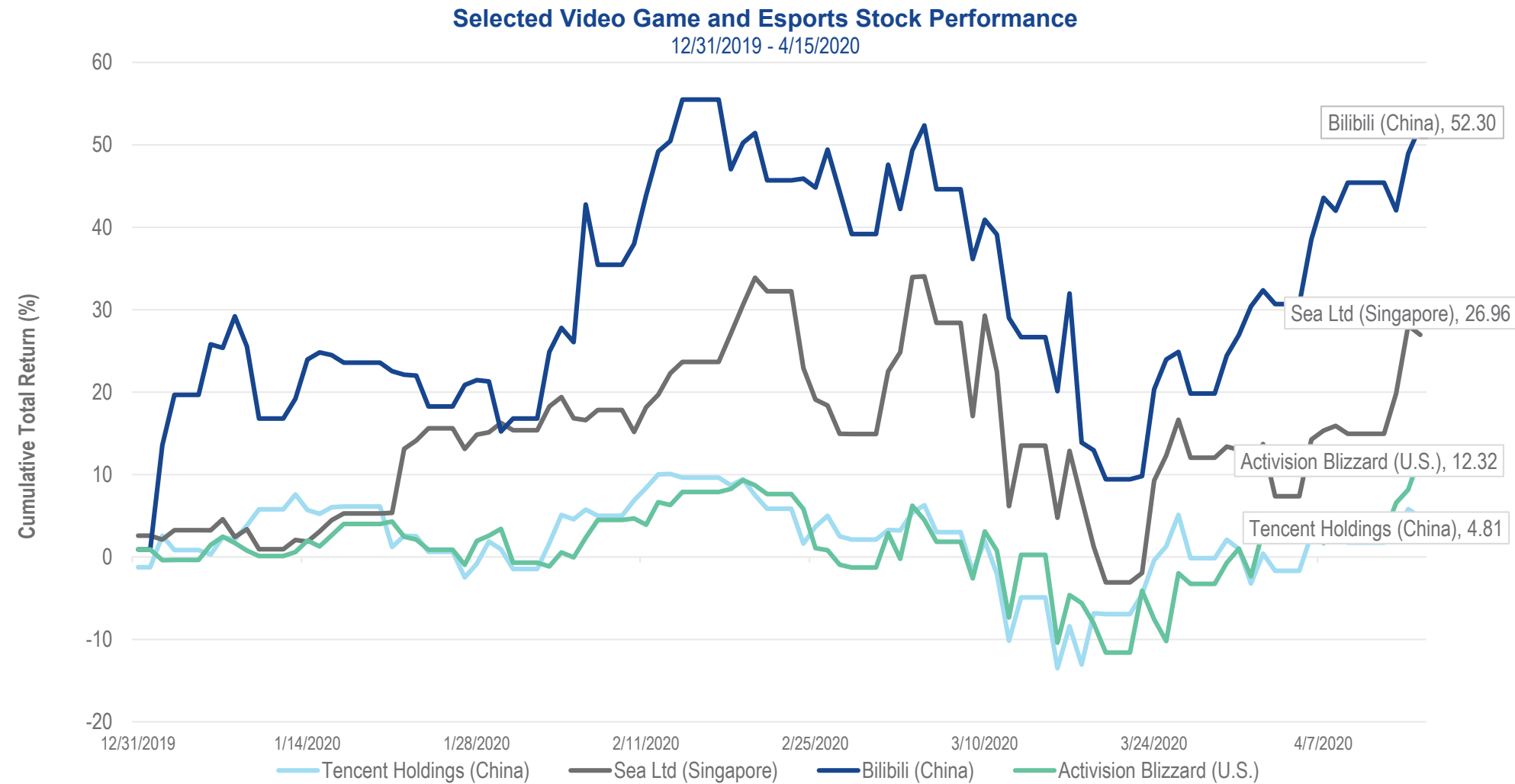
US General Population



\$61,400

Source: Nielsen Esports Fan Insights and Nielsen Games 360 Report – 2019, US Market.
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Broad Support from Domestic Consumer Demand



Source: Morningstar

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MVIS[®] Global Video Gaming and eSports Index



- **Companies must derive at least 50% of total revenues from video gaming and/or esports to be initially eligible for the index**
 - Revenue requirements ensure targeted exposure to video gaming and esports companies
 - Focus on the largest pure-play video gaming companies
 - Modified market cap weighting ensures that no single company dominates the index
- **What companies don't meet inclusion requirements?**
 - Companies like Microsoft (Xbox), Sony (PlayStation), and Amazon (Twitch.tv) generate substantial revenue dollars from other sources besides video gaming and esports related business lines
 - Due to index revenue percentage rules, these companies are excluded to maintain the index's focus on video gaming and esports

Included in index	Reason for inclusion	Excluded from index	Reason for exclusion
Activision Blizzard	Video game developer	Alphabet	Tech conglomerate (based on revenue test)
Nintendo	Video game developer	Amazon.com	Tech retail (based on revenue test)
Tencent Holdings	Video game developer	Microsoft	Tech conglomerate (based on revenue test)
NVIDIA	Hardware company	Sony	Tech conglomerate (based on revenue test)
Advanced Micro Devices	Hardware company	Intel	Hardware (based on revenue test)

Source: MVIS. This is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein.



Questions





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DEFINITIONS

Esports : Competitive gaming at a professional level and in an organized format (a tournament or league) with a specific goal (i.e., winning a championship title or prize money) and a clear distinction between players and teams that are competing against each other.

Esports Enthusiasts: People who watch esports more than once a month.

Esports Event: A competitive gaming tournament or league organized by a third party, where players and/or teams compete against each other with the goal to win.

Media Rights Revenue: Revenues generated through media property, including all revenues paid to industry stakeholders to secure the rights to show esports content on a channel.

Merchandise and Tickets Revenue: Revenues generated by the sales of tickets for live esports events and merchandise.

Advertising Revenue: Revenues generated by advertisements seen by viewers via esports content, which are paid for per impression.

Sponsorship Revenues: Revenues generated by teams and organizers through sponsorship deals.

Game Publisher Fees: Revenues paid by game publishers to independent esports organizers for hosting events. This excludes investments or spending by game publishers on their own events, as we consider that to be part of their regular marketing efforts.