

THE RUNDOWN

**OBERON
SECURITIES**

Newsletter
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**WALL STREET EXPERTISE
WITH A MAIN STREET ATTITUDE**

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Oberon Lunchtime Panel Discussion – Key Drivers of Transaction Activity in the Marketing Services & Technology Sector on June 6th⁽¹⁾

(1) For more information, please contact Managing Director Corey Luskin (cluskin@oberonsecurities.com)

Introduction to eSports industry

(Will it rival the \$500 billion global Sports industry?)

The first videogame competition took place at Stanford University in 1972. The prize: a subscription to Rolling Stone. Fast forward to 2019 when the competitive videogame industry is expected to reach \$1bn in revenue by year end; colleges are offering partial scholarships to gamers, and prize pools for tournaments regularly exceed \$1 million. This industry (known as eSports) is taking the world by storm. In eSports, like traditional sports (\$500 billion industry size), gamers play multiplayer videogames competitively for spectators. It is made up of professional gamers, amateur gamers, contests, conventions, advertisers, and of course, fans. According to NewZoo, from 2016-2021, the industry is expected to grow from \$493m to \$1.65bn, at a CAGR of 27.4%⁽¹⁾. The industry does not have one central competitive organization like the NFL or MLB, but is instead made up of several different leagues and tournaments, often focusing on one specific game. These tournaments are often operated by the game's developer.

An example of this is the Overwatch League. Overwatch is a first-person shooter videogame released by Blizzard Entertainment in 2016. Following the immediate success of the game, Blizzard began to organize a competitive league to showcase its best players. In 2018, the Overwatch League had its inaugural season. It established 20 permanent teams based in cities across the world (New York, Toronto, Shanghai, Paris, etc.). They compete weekly against one another with the goal of making the playoffs and subsequently winning the Grand Finals. Players are paid a league minimum of \$50 thousand and the bonus pool for the playoffs exceeds \$3 million⁽²⁾. Notable team

owners include Robert Kraft and Sterling Venture Capital (venture capital arm of Sterling Capital, owners of the New York Mets). Current endorsement deals the league has signed include Disney and Coca-Cola.

eSports is beginning to rival traditional sports viewership. In 2018, around 395 million people watch eSports globally. This is a 94% increase from 204 million in 2014⁽¹⁾. Viewership is expected to reach 645 million by 2022. 79% of global viewers are under the age of 35 and 70% are male⁽³⁾. The median age range is from 25-34, and the majority of eSports fans watch via online streaming. Twitch and YouTube Gaming are the two most popular platforms for fans to watch eSports events because they combine a traditional viewing experience with social media. Each stream has a chat function which allows the fans to interact with other fans and the streamer. A large percentage of the global audience is based in Asia. China alone has over 440 million gamers (recreational and competitive), and their eSports market grew at a 40% CAGR from 2015-2017⁽⁴⁾.

The major revenue drivers are the teams, developers, and leagues. Teams operate similar to national teams in the Olympics, where each country has a roster of athletes who specialize in different events and have their own coaching staff. Similarly, gaming teams are split up by game, and each specific game has its own roster and coach. Two of the most popular teams are FaZe Clan and Cloud9 (According to Forbes, Cloud 9 has an enterprise value of \$310 million). Not only do these teams compete (and regularly win tournaments), they also create content on Twitch and YouTube. For

example, FaZe Clan has an active YouTube channel, where team members regularly post gaming montages and vlogs. This allows team revenue streams through the creation of personal brands, traditional advertising and partnerships, YouTube advertising, and competition earnings. Unaffiliated eSport gamers also have immense revenue opportunities. Tyler Blevins (known as Ninja) is one of the most famous competitive gamers in the world and he is no longer affiliated with a professional team. He is estimated to make well over \$500 thousand per month through Twitch streaming, ad revenue, and sponsorship deals. He has been featured in Samsung commercials and he has hosted gaming events where he plays alongside professional athletes and rappers.

The biggest developers in the eSports industry are Activision Blizzard, Valve Corporation, and Riot Games. Between the three, they have published 7 of the 10 most popular games by viewer on Twitch. Interestingly enough, several of these games are released for free and the developers' revenue comes from microtransactions. Microtransactions allow players to purchase virtual goods, usually cosmetic items that do not affect performance, with in-game currency (in-game currency is purchased with real money). To understand the importance of microtransactions consider the following: In 2017, Activision-Blizzard reported over \$4 billion in revenue earned via microtransactions. Its total revenue for 2017 was \$7.6 billion, and microtransactions accounted for more than half of it. The other key revenue generators in the eSports infrastructure are leagues and tournaments. While these are often run by developers (i.e. Overwatch League), independent circuits are also prevalent. Leagues create revenue through live event ticket sales, advertisers, and fees.

What can we expect moving forward? In the coming years, more corporate sponsors will become involved with eSports. In February, Nike signed its first eSports advertising deal with the League of

Legends Pro League in China. League of Legends is a massively popular game that accounted for 30% of Twitch's eSport's streaming market share in 2018. In March, Nissan announced a partnership with both FaZe Clan and OpTic Gaming. Not only will the two teams will have Nissan branded jerseys, they will also have access to Nissan vehicles for content creation. Advertising revenue within eSports is growing as rapidly as the industry itself. From 2018-2019, it is expected to grow 25% and reach \$425 million. We will also see more mainstream coverage of eSports. ESPN has a dedicated eSports news section on their website and Disney has television rights to the Overwatch League (giving them the option to air on ESPN2, Disney XD, or ABC). With its rapid growth and constant development, now is an exciting time to get involved in the growing world of eSports⁽⁵⁾.

(5) Special Thanks to Wesley Brown

New Team Members

Rob Van Genderen, Managing Director

Rob is a Managing Director at Oberon. Throughout his career, he has participated in finance and M&A deals valued in excess of \$15 billion and worked with clients and projects in over 30 countries in 6 continents.

Prior to joining Oberon, Rob worked at Falls River Group, a middle market M&A advisory firm based in Naples, FL. Previously, Rob was an M&A Partner at KPMG, and a senior banker at Deutsche Bank. Rob began his career in the real estate and construction industry working with James McHugh Construction, a Chicago-based construction manager and contracting firm. In his role with McHugh, Rob worked closely with major clients, such as The World Bank, IBM, and Boeing, in creating real estate and construction solutions for their offices in Moscow, Russia. Rob was also involved in project management and sub-contractor procurement. Rob also held senior management positions with Reynolds Metals Company, and in that role, he worked extensively with Reynolds' architectural solutions for commercial real estate projects. Rob earned his Master's in Business Administration from the University of Virginia, and his Bachelor's degree in Russian studies from Dartmouth College.

Brandon Neff, Managing Director

Brandon is a Managing Director, bringing over 20 years of experience to Oberon. Brandon has over 20 years of corporate finance experience as both a principal investor and investment banker.

Prior to joining Oberon, Brandon was instrumental in closing more than 40 transactions with a notional value of more than \$9.0 billion. Brandon has significant experience raising and investing private capital with companies in energy related sectors, including upstream and midstream oil and gas, oil field services, energy services, renewable energy, and alternative energy. He has also closed transactions in the health care, high-tech, and construction / facility services sectors. Brandon is a member of the Houston chapters of the IPAA and ACG. Brandon is a Certified Public Accountant and graduate of the McCombs School of Business at the University of Texas at Austin.

Michael Shwartz, Managing Director

Michael is a Managing Director, bringing more than 25 years of investment banking and capital markets experience to Oberon. Michael has extensive experience in negotiating, structuring and executing various types of transactions including mergers, acquisitions and divestitures; corporate and transactional financings, including venture capital, mezzanine and conventional financings as well as public offerings and private placements, with particular experience in all sub-sectors of the healthcare industry, but not limited to other industries such as, consumer products and services, industrials, transportation and technology.

Prior to joining Oberon, Michael established the Corporate Finance and Capital Markets division for the Vertical Group, a full service institutional broker-dealer, where he served in the capacities of both Managing Director and Head of the Departments. Prior to joining the Vertical Group, he served as Managing Director of Dominick & Dominick LLC (a division of Wunderlich Securities and a wholly-owned subsidiary of B. Riley Financial - NASDAQ:RILY), in their Investment Banking division, where he was also a member of that department's Compensation Committee. Michael has held senior banking positions with Newbridge Securities and Himalaya Capital. In addition, Michael also served as Senior Vice President of Ladenburg Thalmann & Co., Inc. (NYSE MKT:LTS). Michael earned his B.A. in Accounting from New York University.

New Team Members

Greg Mesniaeff, Managing Director

Greg is a Vice President, bringing 28 years of experience analyzing the telecommunications and technology industries, twenty four of them as a senior Sell-Side analyst on Wall Street.

He began his Wall Street career at Wheat First Securities in Richmond, VA (now Wells Fargo Securities) in 1994, and has covered a broad range of telecom and communications technology companies for The Robinson-Humphrey Co., Friedman Billings Ramsey, Credit Lyonnais Securities (CLSA), Needham & Co., Kaufman Bros. and others. He was ranked the #2 analyst for Telecom Equipment by the Forbes Magazine analyst survey in 2010. He has also been selected as a Wall Street Journal All-Star Analyst for both stock-picking and estimate accuracy, and has received recognition in Institutional Investor and Greenwich Associates surveys at various stages of his career. Mr. Mesniaeff holds a B.B.A. from the Zicklin School of Business at Baruch College, CUNY, and an M.A. in Economics, with Distinction, from Trinity College in Hartford, Connecticut. He has been quoted extensively by the media throughout his career, and is a well-known and trusted advisor to C-level executives in the industries he follows.

Alex San Andres, Managing Director of Business Development

Alex is a Managing Director of Business Development, bringing 20 years of real estate experience to Oberon.

Prior to joining Oberon, Alex served as the Managing Director and Real Estate Investment Banking Leader for Opus Financial Partners (OFP). At OFP, Alex worked with real estate value-add investor and developer clients nationwide and was responsible for the execution of diverse investment banking and consulting assignments. Prior to joining OFP, Alex was a Vice President with Lowe Enterprises, a national real estate development company, and was responsible for acquisitions and project capitalization in the West Region. At Lowe, he led deal teams responsible for +1,100 multifamily units of new development, +300,000 SF of commercial development and +200,000 SF of commercial office value-add. Prior to joining Lowe, Alex was a Director with Foulger-Pratt Companies, a Mid-Atlantic real estate development company, and was responsible for +450 multifamily units of new development, +1,100 multifamily units of value-add investment, +1,200 single-family units of new development, and +1.3MSF of commercial development. Prior to Foulger-Pratt, Alex worked as an architect for AECOM, an international design and engineering firm, responsible for projects in Texas, California, and China. Alex earned his M.B.A. from the Darden School of Business at University of Virginia, his Masters of Architecture from Southern California Institute of Architecture, and his B.A. from Oberlin College.

Raymond Todd, Managing Director of Business Development

Ray is a Managing Director of Business Development, bringing over 30 years of financial experience in various industries, especially commercial real estate, to Oberon.

Prior to joining Oberon, Ray was the CFO for two development firms, spanning a period of 12 years, and he also worked extensively in the mortgage-backed securities area, underwriting new loans as well as performing due diligence and property inspections. Ray has audited loans for the Small Business Administration and has managed failed bank portfolios for the FDIC. More recently, Ray spent two years working on capital raise projects for early-stage companies in the mining, oil & gas, and biotech industries. Ray earned his M.B.A. from the Darden School of Business at University of Virginia and his B.B.A. from the Wharton School at the University of Pennsylvania.

New Team Members

A.J. Krause, Managing Director of Origination

A.J. is a Managing Director of Origination at Oberon. He focuses on assisting the shareholders of privately-held and family-owned businesses through the sale process. While working with clients throughout the U.S., he spends significant time with business owners in Florida and the Great Lakes region. A.J.'s experience and network of legal, accounting, insurance, and investor relationships offers clients key capabilities necessary for executing a successful transaction.

Prior to joining Oberon, A.J. spent over 10 years in diversified financial services. He earned his Certificate in Family Business Advising (CFBA) from the Family Firm Institute and his B.S. in Finance from the University of Central Florida.

Sean S. Bach, Director

Sean is a Director, bringing both operational and investment banking experience to Oberon. He focuses on Technology, Media, Private Equity, Business Services, Education, and Healthcare.

Prior to joining Oberon, Sean was a Vice President at Tyton Partners, a middle market boutique investment bank and strategy consultancy in Boston and Connecticut where he focused on Education Technology (EdTech) transactions. Before Tyton, Sean was a Vice President at Oaklins DeSilva+Phillips, a middle-market investment bank and broker/dealer in New York, where he focused on Technology, Media, Healthcare, and Private Equity transactions; a Vice President at Pegasus Intellectual Capital Solutions, a middle-market boutique investment bank in Chicago; as well as a Senior Associate at MD Global Partners, a boutique middle-market investment bank and broker/dealer in New York. Prior to attending business school, Sean co-founded a small jewelry store in South Florida, eventually growing it to one of the largest single-standing full-service fine jewelry stores in the Southeastern United States. Sean earned his M.B.A. at Duke University with a Dual Concentration in Investment & Corporate Finance, graduating with honors and earning the rare Certificate of Academic Excellence in Finance. Sean earned his B.A. in Economics at Bates College.

Andrew Ward, Vice President

Andrew is a Vice President with 20 years of working in investment banking, private equity and financial services.

Prior to joining Oberon, Andrew worked for Weild & Co., a middle market investment bank advising on capital markets transactions. Previously, Andrew worked for Stonybrook Capital as a VP for investment banking, focusing on the P&C insurance sector. Prior to Stonybrook, Andrew worked for Aldwych Capital Partners as Director for business development and Investment banking, focusing on energy, technology, infrastructure, defense and emerging markets. Andrew started his career working for JP Morgan Chase in the private mortgage group. Andrew earned his M.B.A. in Finance and Strategy from Georgetown University the Robert E McDonough School of Business, and his B.A. in Philosophy with a minor in Economics from Boston College.

New Team Members

Kristin Luck, Advisor

Kristin is an Advisor at Oberon. In addition to her Advisory role at Oberon, Kristin serves as an advisor and growth strategist to a number of cutting-edge marketing and analytics technology and services firms through her consultancy, ScaleHouse. Kristin is a founder focused on helping fellow founders and executive teams scale and monetize their businesses. Her deal expertise on both sides of transactions comes from participating in both acquisitions and exits from \$30 million to \$175 million. She is also passionate about supporting founders in international markets execute their entry into the U.S.

She is the founder of two marketing analytics companies that she led to successful exits. Kristin co-founded OTX, an online research business that was named the fastest growing research firm in the world in 2002 and 2003 and was subsequently acquired by Zelnick Media & Pilot Group. She then founded Forefront Consulting, a research technology firm that was acquired by Decipher in 2007. Decipher was acquired by FocusVision in 2014 after seven consecutive years of double and triple digit growth.

Recent advisory relationships include Kelton, Remesh, Voxpopme, Canvs, Dstillery, Measure Protocol, LiquidHub, Humm Kombucha and Lunchbox Alchemy.

Sima Vasa, Advisor

Sima is an Advisor at Oberon, bringing unique perspectives informed by her experience of being a founder/entrepreneur, experienced corporate executive and executive leader on the supplier side of the marketing research industry. She is a multi-faceted business leader in the market research and analytics space, and is the CEO and Founder of Infinity Squared Ventures, an advisory services business.

During her career, Sima has worked on deals from both the buy side and sell side. Her experience includes leading the integration of INTELECT ASW, a joint venture between Audit's Surveys, NPD and GFK. She has led the development and operationalized synergies related to key acquisitions related to PC Data, Storeboard (a Ziff Davis company) and DisplaySearch. Sima currently advises clients on all aspects of their business from business strategy, new product development and go-to-market strategies, along with providing an extensive network to help increase business value. She speaks frequently at national marketing and analytics industry conferences, and her podcast, Data Gurus, has garnered over 10,000 unique listeners in 2018. Sima earned her M.B.A. in Finance from the Leonard N. Stern School of Business at New York University and her B.A. from Drexel University.

Recent Transactions

Gartland & Mellina Group, Industry Trade Group, and Selective Search

BUSINESS SERVICES April 2019

Gartland & Mellina Group



**Gartland &
Mellina
Group**

A Management Consulting Company

Acquired by



*Oberon Securities served as exclusive advisor
to Gartland & Mellina Group on this transaction*





BUSINESS SERVICES May 2019

Industry Trade Group

**Operator of Specialty Retail Trade
Association and Conferences**


Secured Growth Equity from






CONSUMER SERVICES May 2019

Selective Search




SELECTIVE SEARCH®
EXECUTIVE SEARCH MEETS PERSONAL MATCHMAKING®

Growth Equity by



*Oberon Securities served as exclusive advisor
to Selective Search on this transaction*



OBERON SECURITIES

OBERON SECURITIES, LLC
1412 BROADWAY, SUITE 2304
NEW YORK, NEW YORK 10018
(212) 386-7080

WWW.OBERONSECURITIES.COM

MEMBER FINRA/SIPC

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