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Let's Play! 2022 The European esports market

November 2022



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01

Methodology

01 | Methodology

25,000 people from 22 global markets (including 11 European countries), were surveyed in August and September 2022 regarding their video gaming and esports consumption. In addition, 53 European market experts were interviewed

Consumer survey:



Representative survey among **~25,000 participants globally**, including **~14,000 in Europe** (age 16-65)



22 global markets, including 11 in Europe¹



Focus of this report



- Video **gaming, esports** and game **streaming** consumption

Expert survey:



Online interviews w/ **53 market experts**

Teams | League & Event Hosts | Further stakeholders



15 European countries



- **Economic situation** of teams and event hosts
- Assessment of current **market trends**

Notes: 1) In this study, Europe refers to the 11 countries included in this survey

02

Esports Consumption in Europe – Consumer Engagement Maturity

02 | Esports Consumption in Europe – Consumer Engagement Maturity

During the COVID-19 pandemic, esports increased its visibility among the public and experienced a surge in audience numbers. While overall reach plateaued at this level, regular engagement decreased as the pandemic conditions receded

After pandemic receded, esports faces the challenge of boosting audience engagement

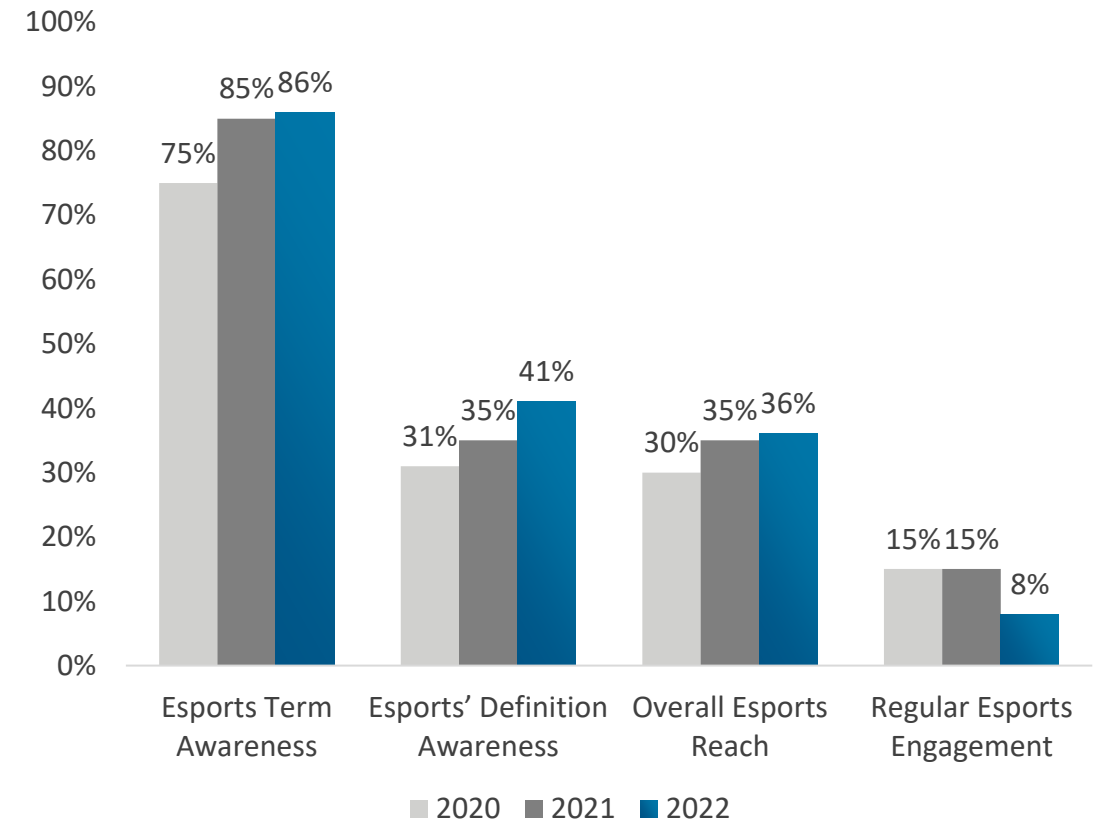
Esports awareness across European countries increased enormously over the past two years (see Figure 1), with a large majority of people in the European sample knowing the term and more than 40% being able to define 'esports' correctly in 2022. This development occurred during the first COVID-19-related lockdowns in 2020 when esports continued operating in online-only formats and drew a lot of attention. Esports' overall reach surged from 2020 to 2021 and plateaued at this increased level in 2022. Regarding regular engagement, comparatively high levels were reached in 2020 and 2021, when online entertainment peaked. Thus, 2022 saw lower levels of regular engagement, with receding pandemic conditions allowing leisure activities restricted in previous years to be undertaken.

When comparing esports awareness and reach across European countries (see Figure 2), significant variances become apparent regarding the developmental speed of the sector on the continent. As last year's edition reflected, overall esports reach is highest in Poland, followed by Spain and Italy. Spain is home to the largest share of regular and paying esports viewers.

Like the sports and entertainment industry, the esports sector centres on viewership, as the fan bases denote audience demand and bring enthusiasm to live events. Thus, in addition to audience size, esports ecosystem stakeholders' business cases depend on spectators' continuous involvement. While awareness and overall reach have grown remarkably since 2020, converting a broad audience into regular viewers and gamers remains the major challenge to sustained economic growth.

Notes: 1) For a definition of the respective categories, see 'Glossary' in the Appendix
Source: Deloitte analysis

Fig. 1 – Development of esports engagement maturity¹
Average of overall sample; 2020/21 vs. 2022

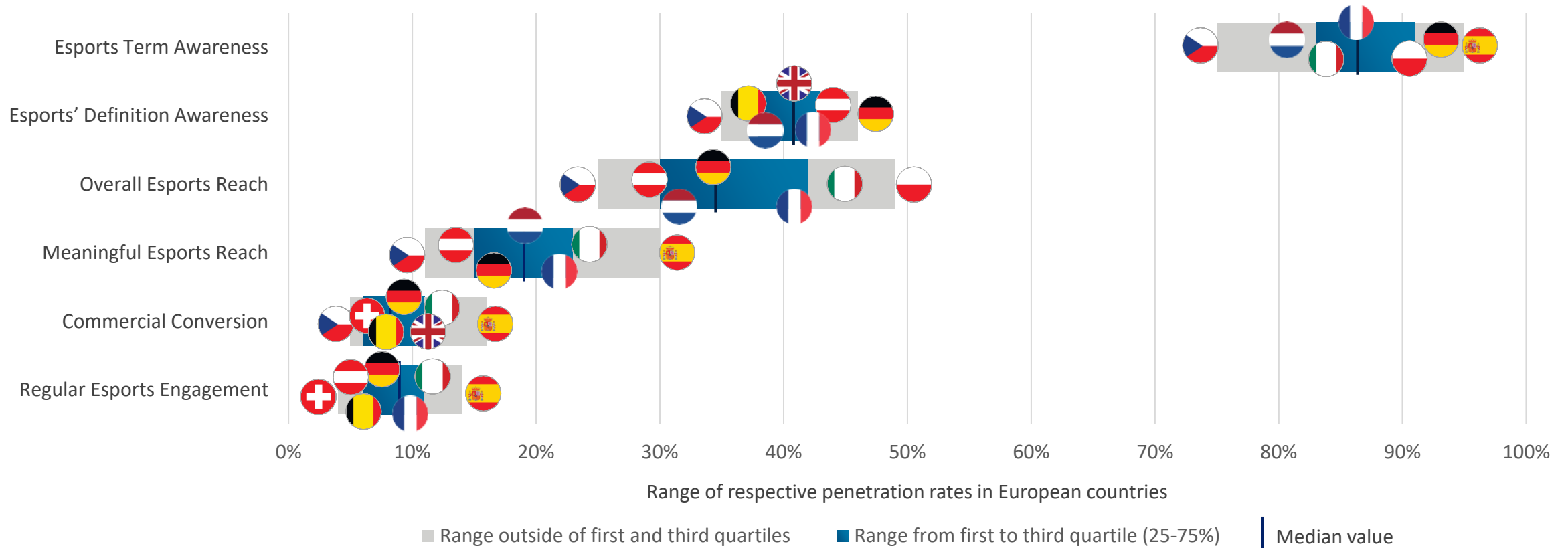


02 | Esports Consumption in Europe – Consumer Engagement Maturity

Comparison across European markets reveals differences regarding developmental speed of the sector, with Poland, Spain and Italy remaining the benchmark in terms of fan engagement

Fig. 2 – Esports engagement maturity across selected European countries in 2022¹

Ranges depict Min./Max. values across countries



Notes: 1) For a definition of the respective categories, see 'Glossary' in the appendix

Source: Deloitte analysis

02 | Esports Consumption in Europe – Consumer Engagement Maturity

Diversifying esports activities across genres maximises the prospects of gaining relevant reach in the esports community. In this process, one has to account for preferences and needs of the particular consumer groups in local markets

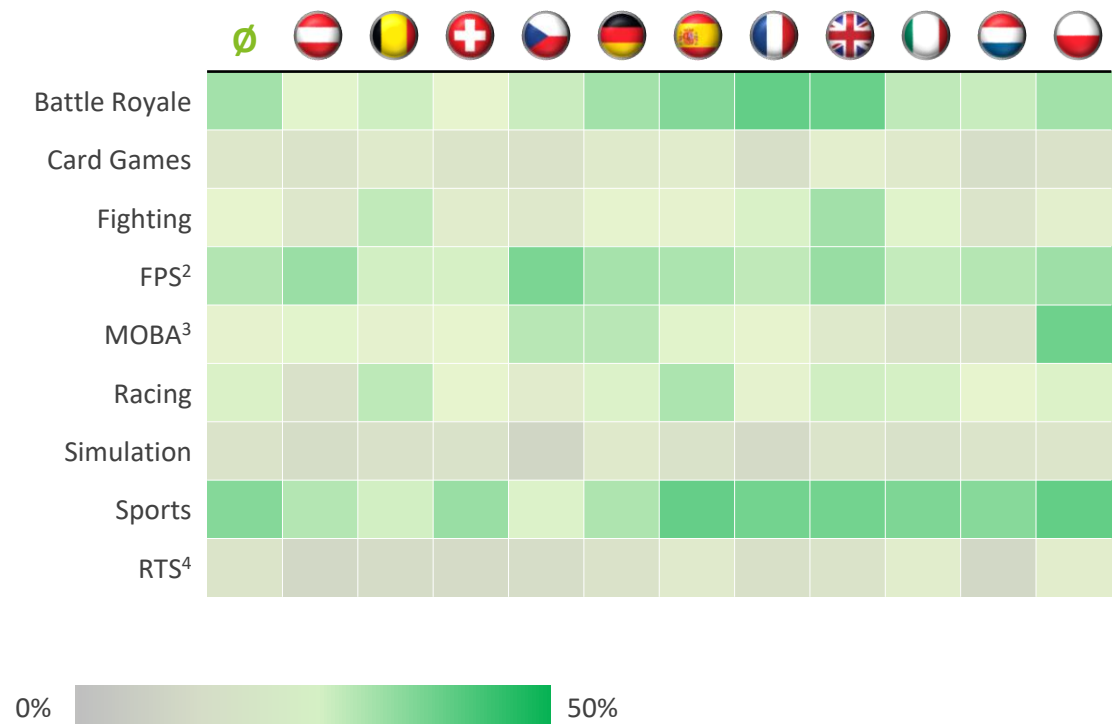
Esports attracts a wide range of consumer groups

Anyone wanting to unlock esports' full target group potential must know that there is no 'one' esports consumer. Given the extensive range and depth of content from which consumers can choose on relevant online platforms, diversifying esports activities across genres maximises the prospects of gaining relevant reach in the esports audience.

Stakeholders such as gaming companies have to know the preferences and needs of a particular consumer group for each genre in which they become active. Further, regional preferences play an important role regarding the potential impact of an esports genre in addressing the end customer (see figure 3). Hence, it is essential to account for target market conditions when planning esports engagement.

Notably, there is a lack of dominance of a single genre amongst the current esports audience. As demonstrated by figure 4, viewership groups can therefore often overlap. While a large share of consumers has watched the esports genre sports, the genre is most in vogue among occasional consumers. In contrast, the most intensive consumption is observed in genres such as FPS² and MOBA.³ A genre on the rise is Battle Royale (2nd highest overall reach in 2022; 2021: 4th; 2020: 5th), which lends itself to creative and cross-IP activation of the audience due to its fundamental platform-like set-up.

Fig. 3 – Esports genre reach per country
among Europeans who have watched esports in the last six months¹

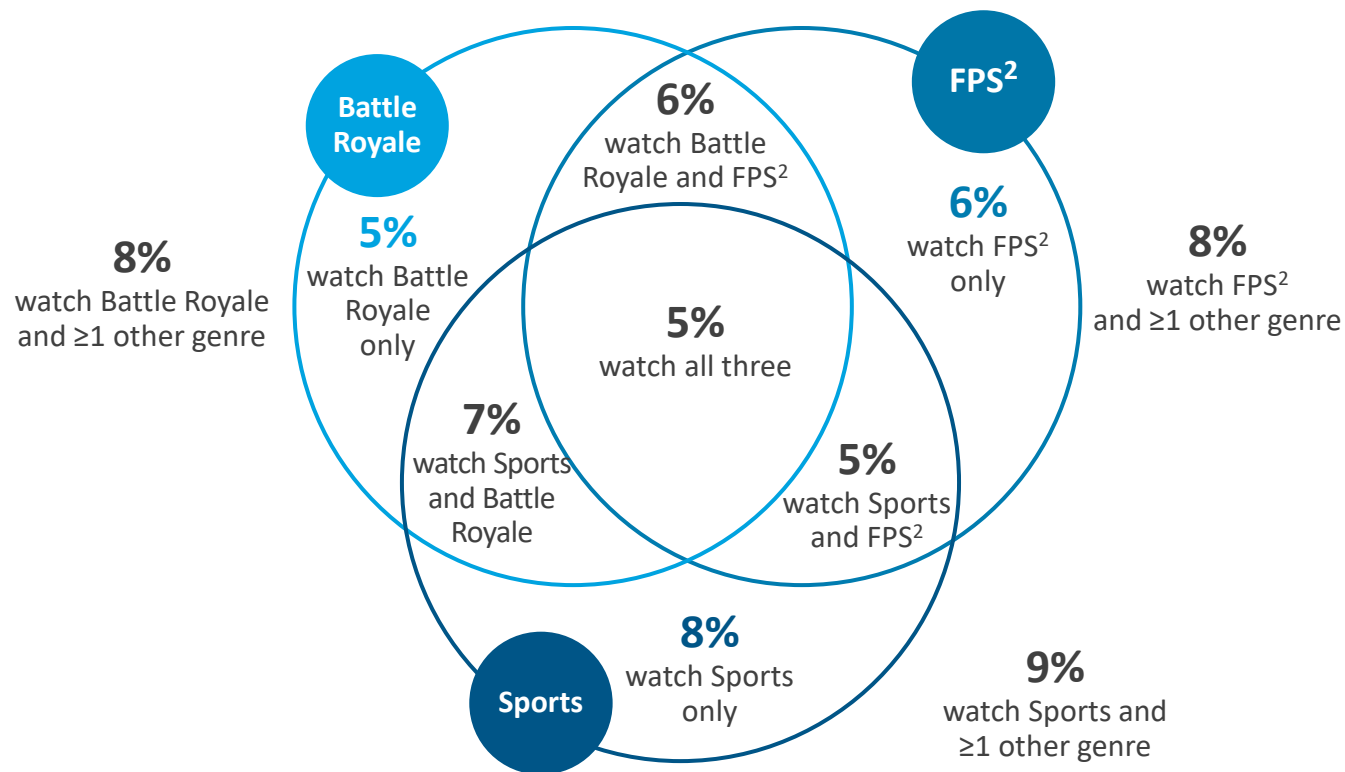


Notes: 1) N per country equals share of participants who have watched esports in the last six months; 2) FPS = first-person shooter; 3) MOBA = Multiplayer Online Battle Arena; 4) RTS = Real-time strategy
Source: Deloitte analysis

02 | Esports Consumption in Europe – Esports Genres and Titles

Across countries, no single genre reaches the majority of the audience and viewership groups overlap. Battle Royale is currently the most dynamic genre, achieving 2nd highest overall reach after ranking 4th and 5th in the previous two years

Fig. 4 – Top-3 esports genres by reach and overlap of genre viewership among Europeans who have watched esports in the last six months¹



What unites the genres across all countries is that no single genre reaches most of the current esports audience and that viewership groups may overlap...

Notes: 1) N per country equals share of participants who have watched esports in the last six months; 2) First-Person Shooter
Source: Deloitte analysis

02 | Esports Consumption in Europe – Esports Genres and Titles

According to market experts, Riot Games’ esports titles are top-positioned to grow viewership in the next 12 months. Among the Top-10 by upside potential, three titles may be considered future potentials, as they do not yet reach major audiences

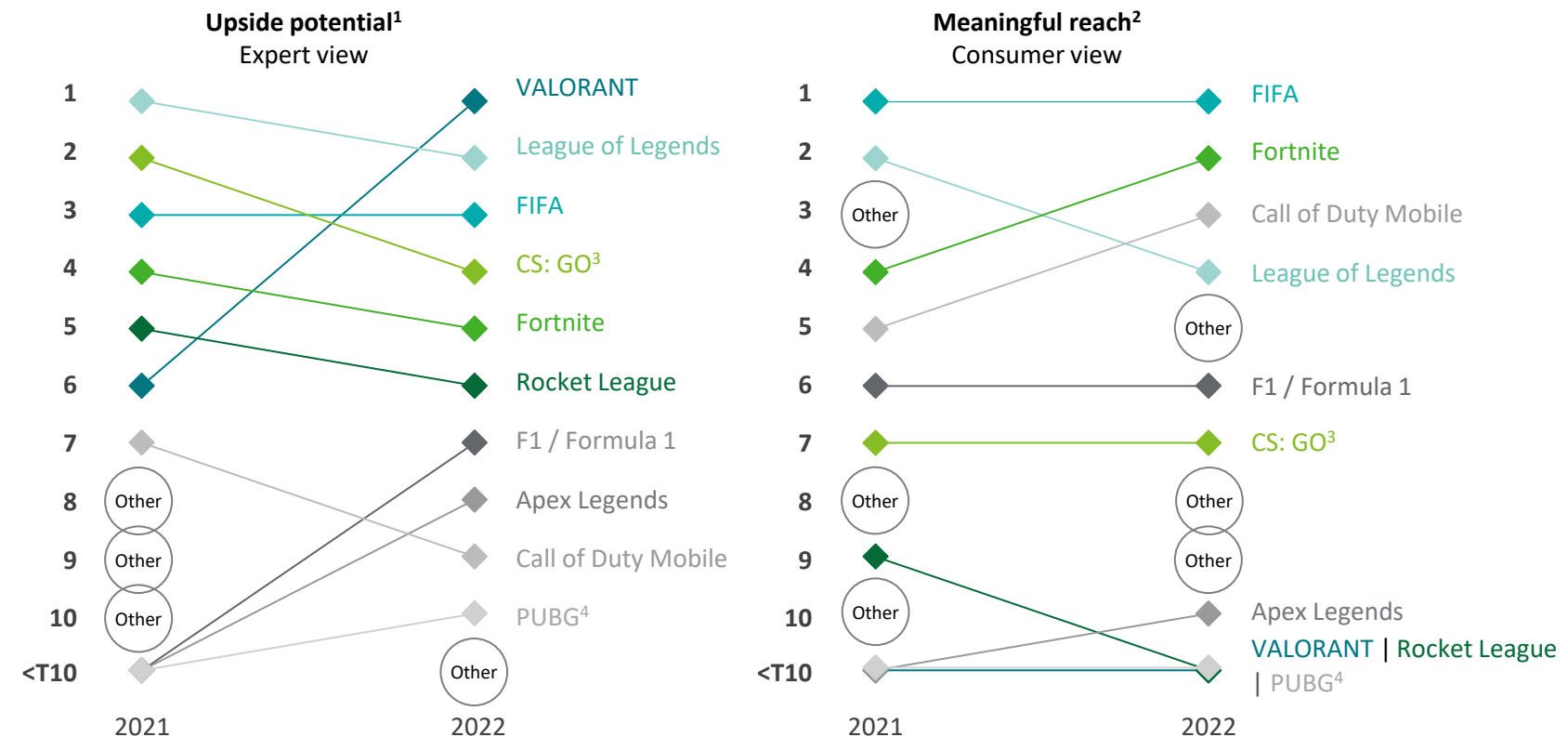
Big-name games are closest to being mainstream

Asked for the esports titles best-positioned to increase viewership in the next 12 months (see Figure 5; left part), market experts attribute the highest upside potential to Riot Games’ VALORANT and League of Legends, followed by FIFA, CS: GO³, Fortnite and Rocket League, all of which have been featured in last year’s Top-6, as well.

FIFA, Fortnite, League of Legends and CS: GO³ are also powerhouses in current reach (see Figure 5; right part). While VALORANT, Rocket League and PUBG may also be considered prospects, these titles are yet to break into the Top-10 for overall esports audience.

From a number of titles perspective, both rankings are dominated by the *Battle Royale* category – namely Fortnite, Apex Legends, Call of Duty Mobile and PUBG – reflecting the genre’s increasing popularity and pervasion. The greatest assumed upside potential is hence distributed among five genres – *Battle Royale*, *FPS* (VALORANT, CS: GO), *Sports* (FIFA, Rocket League), *MOBA* (League of Legends) and *Racing* (F1 / Formula 1).

Fig. 5 – Upside potential¹ and meaningful reach of selected esports titles²
Top 10 titles by upside potential in 2022



This ranking indicates the title’s relative potential. Changes in the positioning do not suggest a change in absolute potential.

Notes: 1) Experts were asked to evaluate 50 (2021: 24) titles regarding their potential to increase their viewership levels in Europe over the next 12 months.; 2) “Please indicate in which esports titles you have watched competitions at least once in the last six months (live event / stream / TV)”, the numbers in the chart refer to the most-frequently named esports titles ; 3) Counter-Strike: Global Offensive; 4) PUBG: Battlegrounds (previously known as “PlayerUnknown’s Battlegrounds”)

Source: Deloitte analysis

02 | Esports Consumption in Europe – Meaningful esports reach

In addition to audience size, business cases of esports stakeholders depend on continuous spectator engagement. This indicator is comparatively more pronounced in the most developed markets like Spain and Poland

Reach does not equal consumption intensity

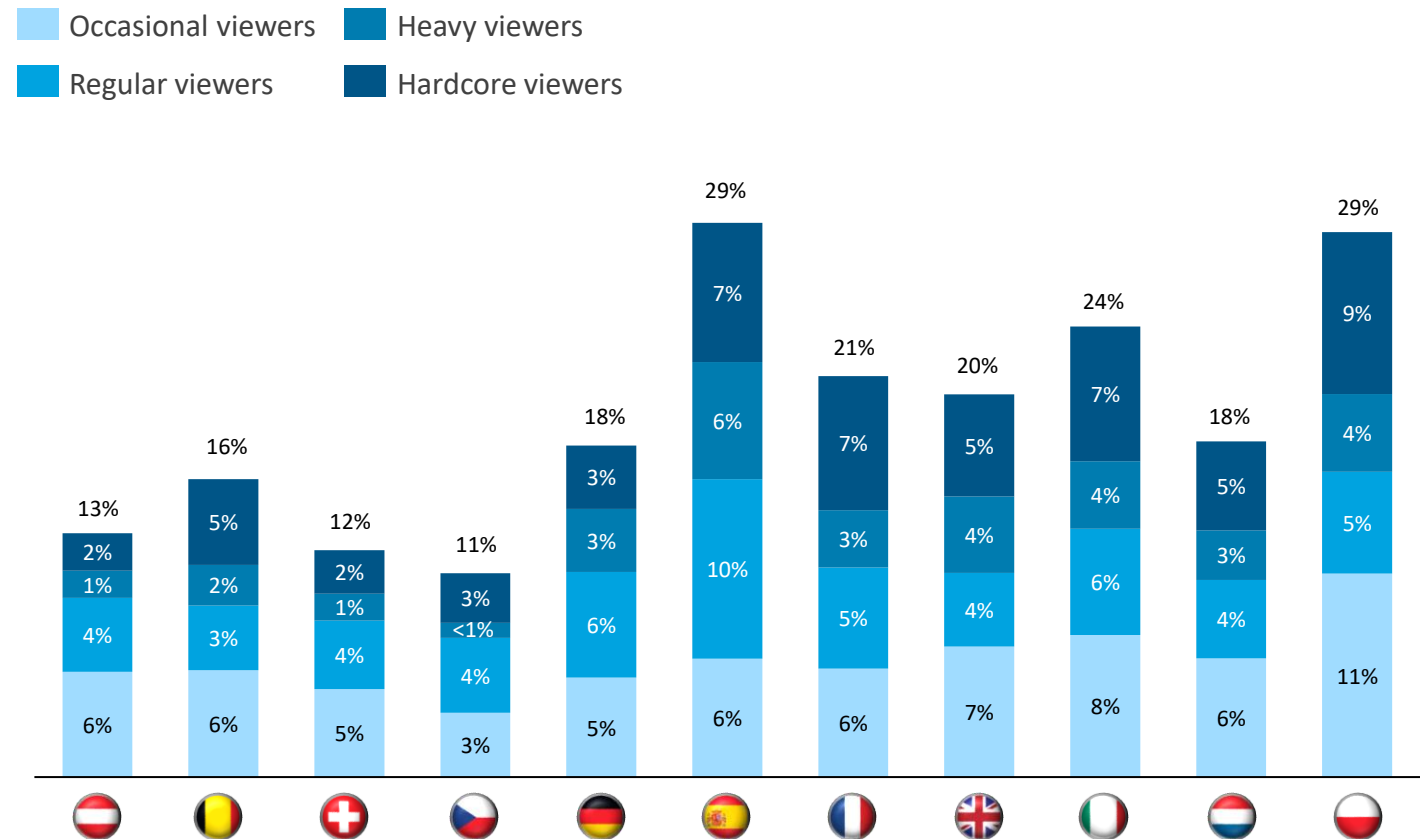
A selective look at consumers who have watched esports in the last six months (see figure 6) emphasizes the gap in reach between more developed European esports markets and those in earlier development stages. The graph indicates that in more developed esports markets, such as Poland and Spain, a more significant proportion of people who have watched esports at least once in their lives have also consumed esports content in the last six months. Countries such as Austria and Switzerland have a higher proportion of 'one-off' viewers.

Retaining 'newcomers' and incentivising increased consumption times are essential to extend the relevant audience that can be reached. Building up reach in terms of audience size, paves the way for the monetisation on the consumer side in the future.

In contrast to bigger markets considered above, smaller markets do not lag in terms of consumption intensity. This is presumably driven by the composition of the consumer group, which skews more heavily towards heavy and hardcore viewers in those countries with less esports awareness in the general public.

Source: Deloitte analysis

Fig. 6 – Meaningful esports reach by country



02 | Esports Consumption in Europe – Target group

The esports fan base is young, diverse, value-conscious, digitally native and increasingly rare on traditional channels. This implies opportunities for interactions regarding topics where esports spectators stand out from the general population

What are notable aspects of the European esports audience?

The most frequent consumers of esports are the much sought-after Millennials and Generation Z. Esports stakeholders seem to be in a position to access and start interactions with esports spectators of such age groups. For example, purchase and lifestyle behavioural data of different audience groups could be of interest for a multiple of organisations (see figure 7).

Compared to the overall sample, esports viewers integrate paid subscription services and event attendance more extensively in their leisure time activities. Such behaviour may indicate an increased willingness among esports viewers to pay for esports-relevant free time activities, contributing to insights in which ways the target group could be addressed.

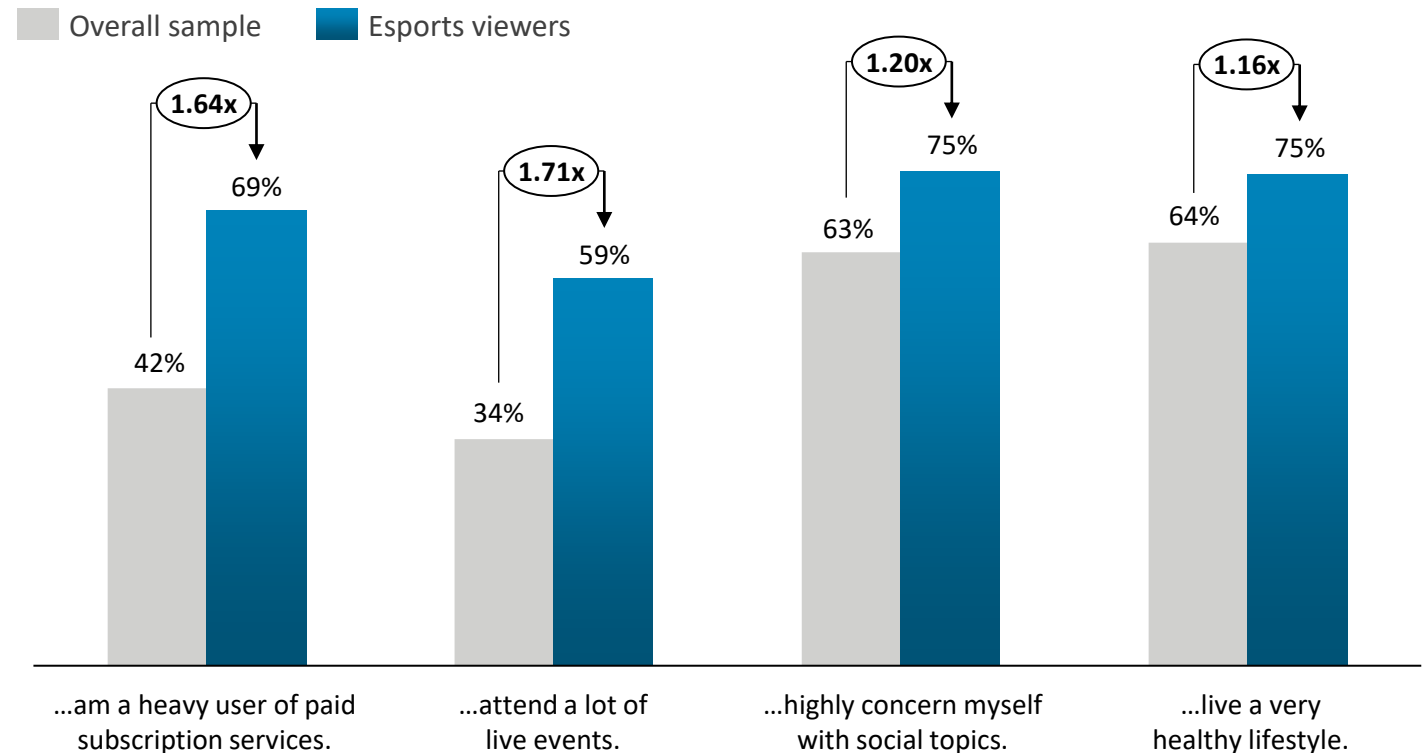
Also, esports viewers tend to have a pronounced awareness concerning social and lifestyle-related topics, providing a starting point for value-based exchanges between ecosystem stakeholders and the audience.

Furthermore, the audience driving esports consumption is predominantly male and from the Generation Z or Millennial age group. Furthermore, this audience has an above-average both education level and income (see figures 8-10).

Notes: 1) Percentages represent the share of people who stated that the respective characteristics 'rather apply' or 'fully apply'
Source: Deloitte analysis

Fig. 7 – Distribution of selected characteristics among the target group¹
Esports viewers vs. overall sample

Compared to my friends, family and colleagues, I...



02 | Esports Consumption in Europe – Target group

The most frequent consumers of esports are male and from the Millennial or Generation Z age groups. Furthermore, esports spectators can be characterised through an above-average both education and income

Fig. 8 – Gender distribution

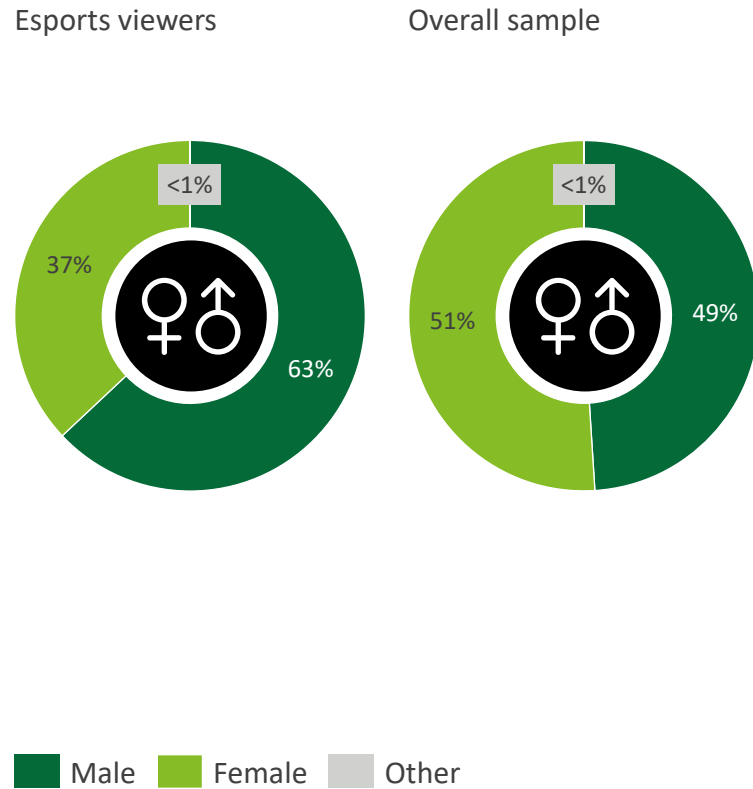


Fig. 9 – Age distribution

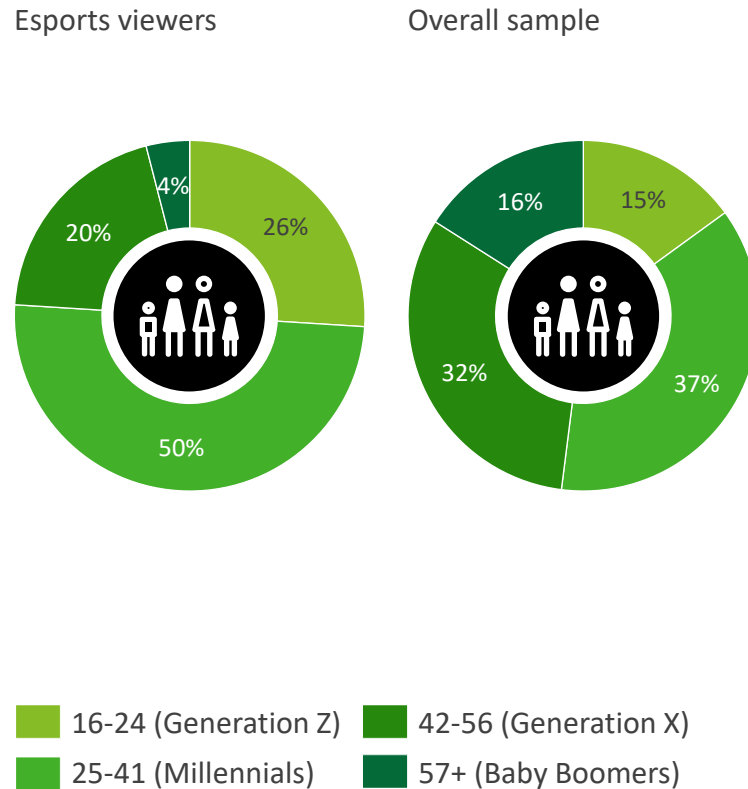
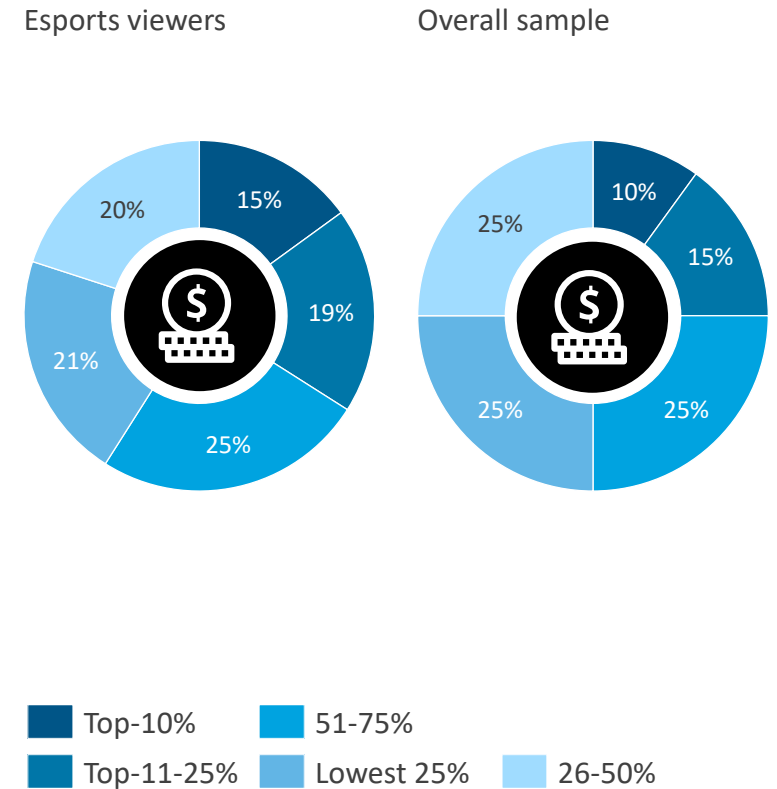


Fig. 10 – Income distribution



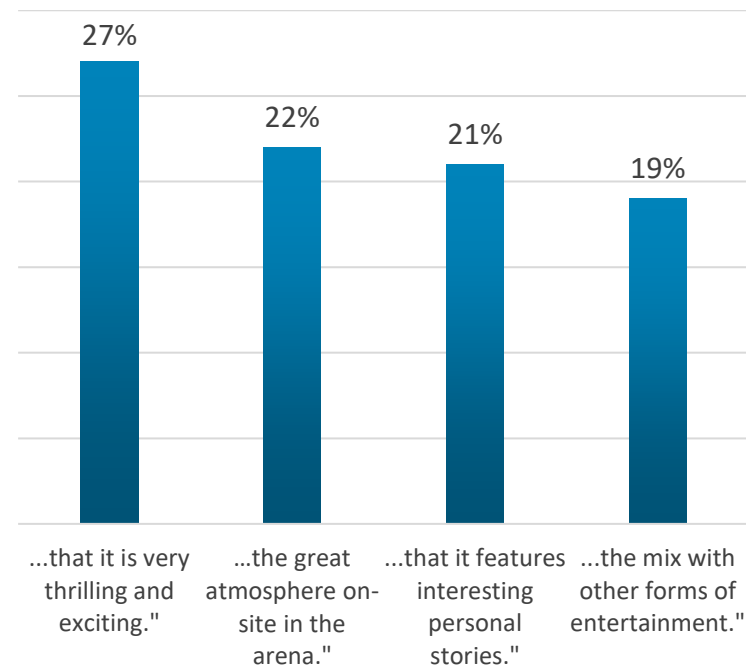
Source: Deloitte analysis

02 | Esports Consumption in Europe – Regular engagement and interaction

Consumers' reasons for tuning into esports, and the criteria applied during the content selection process, are highly diverse, with no clear number-one motive for consumption emerging

Fig. 11 – Selected reasons for esports consumption¹

"A great motivation for me to watch esports is/are..."



There is no 'one' esports consumer

The motivation among consumers to watch esports is as heterogeneous as the esports landscape itself (see figure 11). While some enjoy the relaxed consumption, atmosphere and entertainment factor of watching, others are most interested in personal stories or areas in which esports cross over with other forms of entertainment. Only those who take diversity into account are in a position to build a relationship with the audience.

Also, concerning the criteria applied in the esports content selection process, different perspectives emerge (see figure 12). While regular and heavy viewers select their preferred content depending on the esports titles, match importance and affordability, a more extended content differentiation occurs with increasing intensity of use. Thus, hardcore viewers place high importance on the charisma and brand power of individual events and the teams featured in them. By contrast, experts ascribe a comparatively high importance to esports personalities in the role of players and as presenters in the esports broadcast.

Fig. 12 – Criteria for esports content selection, by consumer type²

"What esports content I watch primarily depends on..."

Hardcore viewers

- 1 ...which league / tournament it is.
- 2 ...which teams are featured.
- 3 ...that there is a live audience creating great atmosphere.

Regular and heavy viewers

- 1 ...which video game / esports it is.
- 2 ...that the content is available for free.
- 3 ...that it is an important esports match.

What the experts say³

- 1 ... which video game / esports it is.
- 2 ...which streamers / influencers are part of the broadcast.
- 3 ...which players are featured.

Notes: 1) Europeans who have watched esports content in the last six months were asked to choose from 14 potential factors that may motivate them to watch esports content. 2) Europeans who have watched esports content in the last six months were asked to choose from 18 potential factors that may influence which esports content they select to watch, ranking bases on share of participants who 'rather agree' or strongly agree' that the respective factors are very influential with regards to their content selection.

3) Experts were asked which factors are most influential with regards to consumers' content selection, according to their opinion.

Source: Deloitte analysis

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02 | Esports Consumption in Europe – Commercial conversion

Across countries, the proportion of paying consumers increases with esports penetration and consumption intensity, indicating that establishing esports in society may also help solve the consumer monetisation challenge

The 'holy grail' of audience monetisation

Despite the growth rates esports has shown in recent years, the audience remains 'under-monetised' from a pure economic perspective. An abundant supply of relevant free content makes converting media content into cash difficult. Currently, the direct revenue potential from end customers is primarily limited to merchandise and event tickets, whereas access to premium content, memberships and so on are still minor revenue sources.

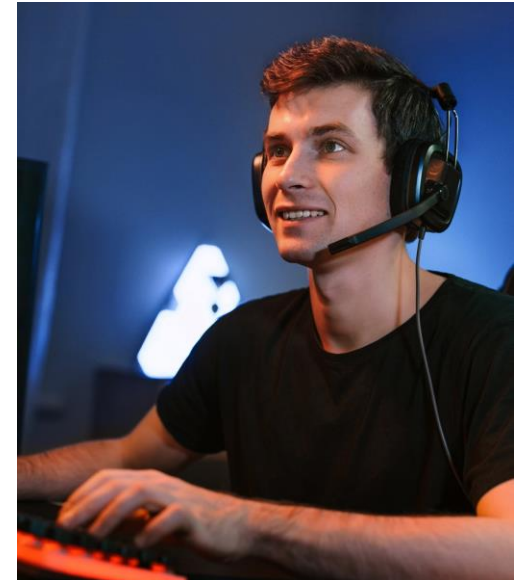
Nearly 10% of survey participants have spent money on their esports consumption. By adding those who made purchases for someone else (that is, as a gift or paying the charge for family and friends) 22% of people have made esports-related purchases in the past six months (compared to 19% in 2021). Those who made the purchases for someone else mostly limit their spending to one-off expenses.

Across countries, the proportion of paying consumers increases with esports penetration, indicating that establishing esports in society may also drive consumer monetisation despite ample free-of-charge esports offerings. As such, Spain and Poland, which have the highest overall esports penetrations, are also the countries with the highest share of paying consumers (31% and 30%, respectively).

The amount of money spent on esports products, content and services increase with usage intensity (see figure 13). Among the hardcore audience, this amount is more than four times higher than among occasional audience groups.

Also changing between the groups is the distribution of expenditure. Occasional viewers focus their esports spending mainly on event tickets and merchandising purchases (often associated with attending a live event). With increasing usage, a higher proportion of money is also spent on paid esports content, esports betting and other products, such as access to esports online communities or membership programmes.

Nearly 10%
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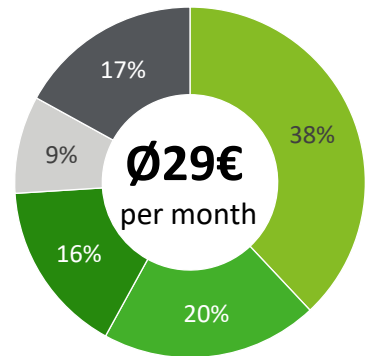


02 | Esports Consumption in Europe – Commercial conversion

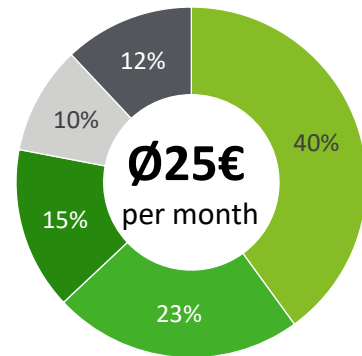
While occasional viewers focus their esports spending mainly on event tickets and merchandising purchases, with increasing usage, a higher proportion of money is also spent on paid esports content, esports betting and other products

Fig. 13 – Monthly esports spending and spending distribution by consumer type
over the last six months, in €

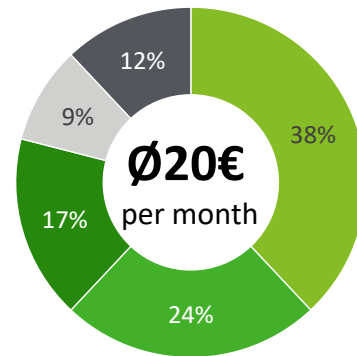
Hardcore viewers
(>10 hours per week)



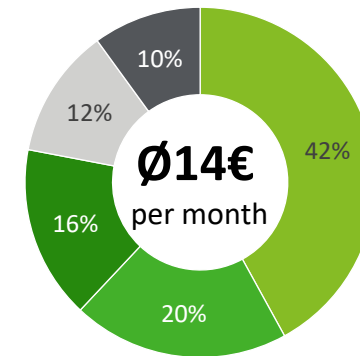
Hardcore viewers
(7-10 hours per week)



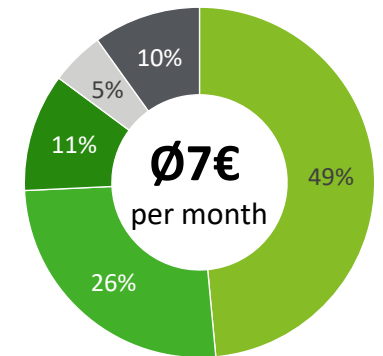
Heavy viewers
(4-6 hours per week)



Regular viewers
(1-3 hours per week)



Occasional viewers
(<1 hours per week)



■ Related to esports events (tickets, travel & accommodation, food & beverages)

■ Related to accessing paywalled esports content

■ Other

■ Related to esports merchandise (physical and digital)

■ Esports betting

Source: Deloitte analysis

03

Enabling Value Delivery in European Esports

03 | Enabling Value Delivery in European Esports – Broadcasting channels

Media and online platforms bring esports content to the remote viewing audience via linear TV, live streams or video on demand. Content can cover entire tournaments, event highlights and topics beyond the competitions

Streaming platforms increasingly become gatekeepers at the intersection between esports-related organisations and esports consumers

Esports consumers are exploring the range of offerings – from live streams over video-on-demand to free and pay TV and live events. While each of these channels has legitimacy, online consumption is and will be the mainstay for esports broadcasts, with Big Tech streaming services acting as gatekeepers for esports content (see figure 14).

Esports viewers display higher affinity to social media, with 79% of them stating that they identify as heavy social media users compared to 61% among the overall sample. Furthermore, usage spreads differently across social media platforms (see figure 15), leading to tailor-made social media strategies among esports stakeholders that reflect this specific usage behaviour.

Fig. 14 – Importance of selected access points for esports consumption
Usage by esports viewers¹ and importance for esports companies²

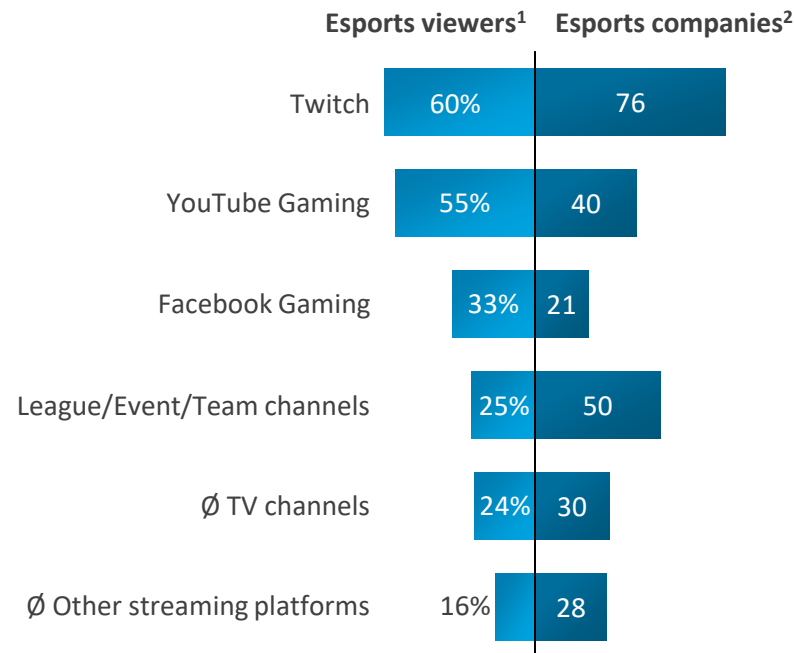
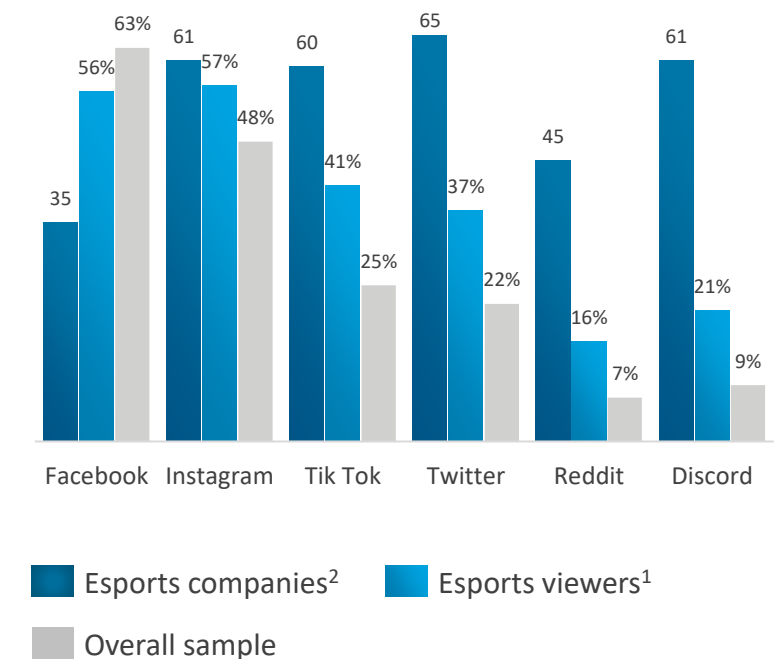


Fig. 15 – Importance of selected access points for esports consumption
Usage among esports viewers¹ vs. overall sample and importance for esports companies²



Notes: 1) Europeans who have watched esports content in the last six months were asked to evaluate their consumption behaviour regarding 14 streaming platforms and TV channels on which esports can be watched as well as the social media channels they use and were given the possibility to name further channels they deemed relevant. 2) Experts were asked to evaluate 14 streaming platforms and TV channels as well as social media channels regarding how important they are for their organisation in terms of delivering value to their customers (100 = channel is of highest importance; 0 = channel is not important at all)

Source: Deloitte analysis

03 | Enabling Value Delivery in European Esports – Broadcasting channels

A large part of esports consumption takes place on Twitch and YouTube Gaming. Therefore, other broadcasting channels have to accept a niche existence, with TV broadcasts remaining a channel for occasional viewers

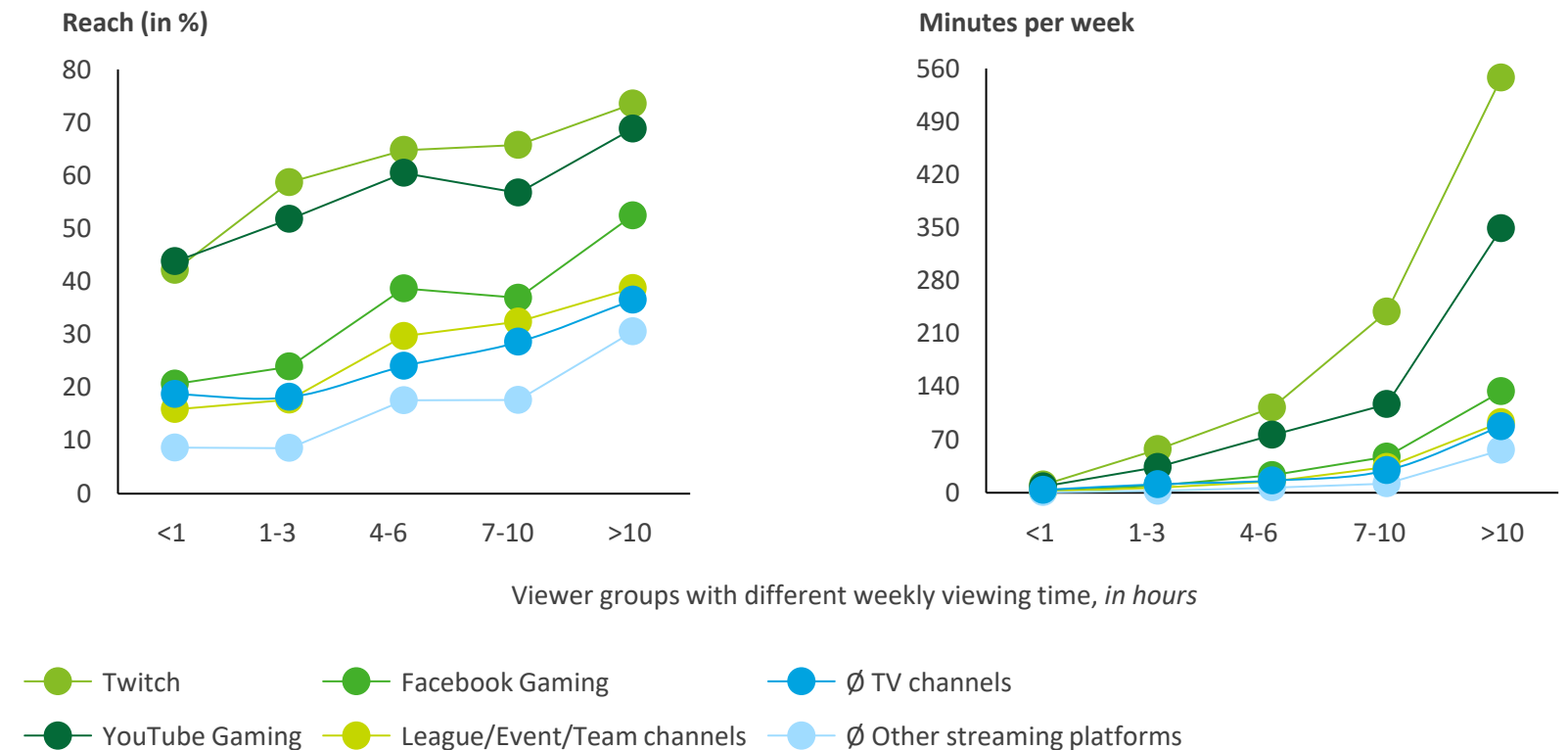
Twitch remains the dominant esports platform

The internet platforms most frequently used to watch esports are – by a wide margin – Twitch and YouTube Gaming. While the two are nearly on par in terms of general reach among esports viewers of all usage levels, Twitch stands out in terms of usage intensity (see figure 16).

Still, other channels such as Facebook Gaming are used by parts of the esports audience. Overall, these larger platforms host the majority of relevant streams, meaning other channels run by esports teams often act purely as ‘access points’.

The most target group-specific characteristics can be observed for esports TV broadcasts and niche streaming platforms specialising in esports and video gaming. While TV enjoys the highest relative popularity among occasional viewers who watch less than one hour per week, online platforms outside of the big tech services are increasing disproportionately among viewers with the highest weekly consumption time.

Fig. 16 – Usage of selected esports broadcasting channels by weekly esports consumption¹ among Europeans who have watched esports in the last six months



Notes: 1) Europeans who have watched esports content in the last six months were asked to evaluate their consumption behaviour regarding 14 streaming platforms and TV channels on which esports can be watched and were given the possibility to name further channels they deemed relevant.

Source: Deloitte analysis

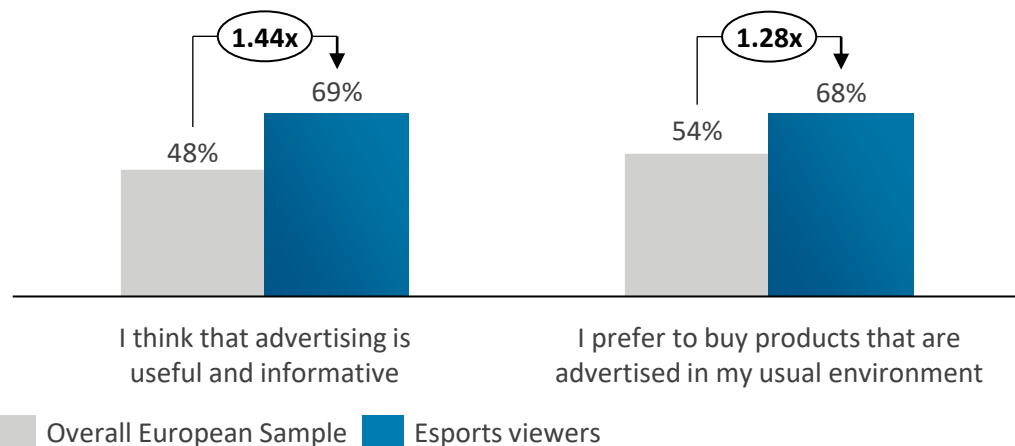
03 | Enabling Value Delivery in European Esports – Strategic partners

The opportunity for relationship-building with an open-minded audience makes esports a premier channel to activate sponsorships and advertisements. This elevates the sector into a B2B platform with substantial growth potential

Authentic commitment is the key to success for strategic partnerships

Strategic partners add capital, revenue, know-how and networks to the esports ecosystem. On the one hand, they encounter a consumer group that expects an authentic and sincere commitment to esports and is comparatively open to advertising on the other (see figure 17). In addition to ‘endemic’ companies from the video gaming ecosystem, esports awareness among ‘non-endemic’ companies, whose core products and services are unrelated to video gaming and esports, has increased enormously in recent years.

Fig. 17 – Attitude towards advertising¹
Attitudes of esports viewers vs. Overall sample



Notes: 1) Percentages represent the share of people who stated that the respective characteristics ‘rather apply’ or ‘fully apply.’
Source: Deloitte analysis

‘Endemic’ and digital products are prevalent among esports viewers

When asked for the sponsorship categories that will be the most important for the long-term development of the sector, market experts place the highest hopes on computer hardware manufacturers (79%), followed by telcos (58%) and video gaming peripherals (52%).

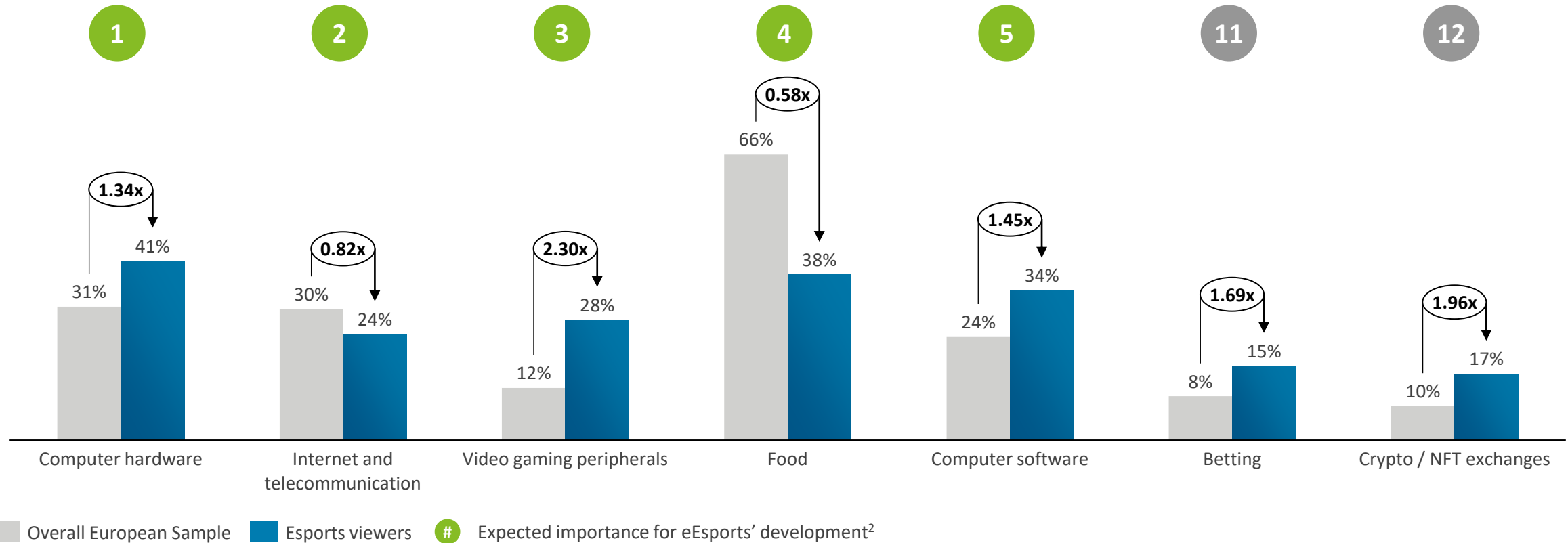
Complementing telcos as high-ranked non-endemic sponsorship categories are food companies (48%) and soft drinks (40%), fashion (40%) and the banking sector (38%), which have been visible in esports for several years with numerous brands. In addition, emerging digital services have lately drawn attention through a surge in new partnerships in the esports sector. Hence, the market experts also list betting providers (35%) and Crypto / NFT exchanges (31%) among relevant partnership categories, albeit outside of the Top 10 most important industry partnerships.

Regarding esports industry sponsorships, it is evident that the value esports viewers place on the respective product and service categories differs from the attitude among the overall sample (see figure 18). As expected, computer and video gaming products are most relevant in the daily lives of esports viewers. Contrary to that, the overall population places a higher value on traditional products, as is evident for internet and telecommunication services and food, but can also be observed in other areas such as insurance, banks and financial services or household appliances.

03 | Enabling Value Delivery in European Esports – Strategic partners

Esports viewers place values differently on product and service categories compared to the overall sample, with a comparatively large share ascribing relevance to computer and video gaming products, and emerging digital services

Fig. 18 – Relevance of selected product and service categories from a consumer perspective¹
Esports viewers vs. overall sample



Notes: 1) Please indicate which of the following product categories you deem important in your life at the moment. 2) Experts were asked which sponsorship categories they consider most important for the development of the esports sector.
Source: Deloitte analysis

04

Creating Value in European Esports

04 | Creating Value in European Esports – Esports teams

Effective and sustainable monetisation is one of the ongoing questions within the esports ecosystem. To get closer to this goal, esports teams are stepping out of their core business and expanding their business models

Add-on' businesses shall diversify revenue

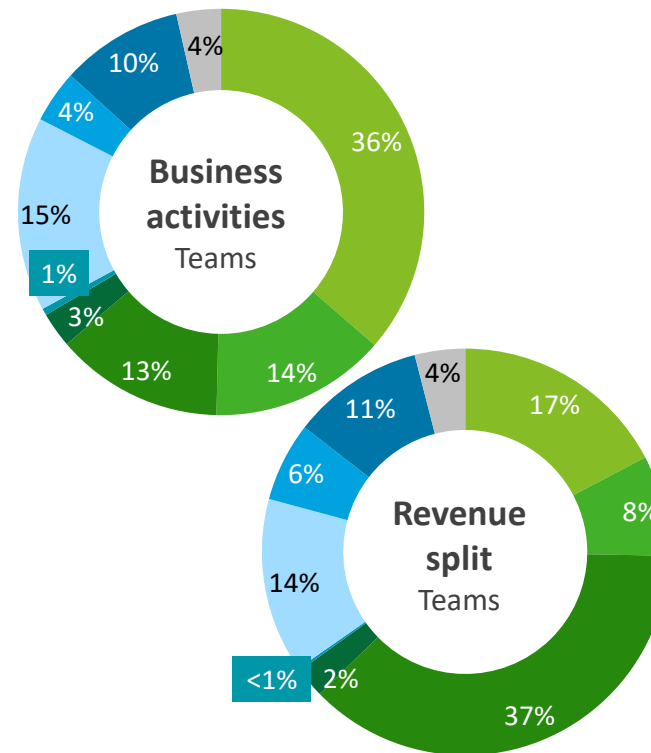
When thinking of esports teams, it is natural to think of 'sports-like' organisations that devote most of their resources to promoting their esports competitiveness and achieving tournament success. However, organisations that manage esports teams are increasingly developing into holistic media and entertainment companies or agencies. This diversification of business models is driven, among other things, by the need to unlock new revenue streams in order to grow as business. The core revenue streams in the competition-related esports area relate to sponsorship revenues.

While 'original' business areas remain in the fore-ground of company's activities (see figure 19), the revenue contribution of such areas is declining compared to 'expanding' business areas. Original business areas include the management of esports teams (specifically: winning prize money and income from transferring player's license rights), organising esports or gaming events (ticket sales, publisher and media rights income, entry fees), the sale of sponsorship space and physical and digital merchandise.

While the surveyed esports teams stated that they generated an average of 15% of their sales in these additional areas in last year's edition, this number grew to 34% in revenue contribution this year.

In particular, content creation and influencer marketing play an important role. They enable esports teams to bridge the gap between video gaming, esports and streaming and authentically activate their players – and thus their most important assets – independent from the competitions, providing the opportunity to deepen the connection to their fan bases.

Fig. 19 – Business activities and revenue split¹
European esports teams² in 2022



Directly related to competitive esports

- Management of esports teams
- Organising esports or gaming events
- Sponsorship sales
- Merchandising sales

Product and service offerings revolving around core esports and video gaming activities

- Business activities directly related to video gaming
- Content creation and influencer marketing
- Consulting or agency services
- Other gaming/esports products and services

Other

- Activities unrelated to esports and gaming

Notes: 1) Experts were asked to distribute their organisation's overall business activities and revenues among different business areas / income streams. 2) Some organisations are active in multiple segments.

Source: Deloitte analysis

04 | Creating Value in European Esports – Esports teams

While expenses for playing personnel neutralise a large part of the revenues generated through esports competition-related business activities, newly developed business areas may potentially improve the overall result of team organisations

Esports teams continue to pursue growth ambitions

With regard to costs of an esports team, wage of players continue to be the main driver. In turn, operational costs have a lesser impact (see figure 20). Correspondingly, positive effects on profitability can be observed as new business areas are established, with 56% of the teams expecting an improved overall result compared to the previous year.

Net profitability, however, is not expected for 66% of the teams. Most teams also rank achieving profitability behind further growth ambitions among their business priorities (see figure 21), clearly stating their intention to extend their esports business further.

56% of team organisations expect **profitability** of the overall business to **improve** in 2022 compared to 2021

33% of team organisations expect the overall business to **be profitable** in 2022

Fig. 20 – Split of organisational expenses¹
European esports teams² in 2022

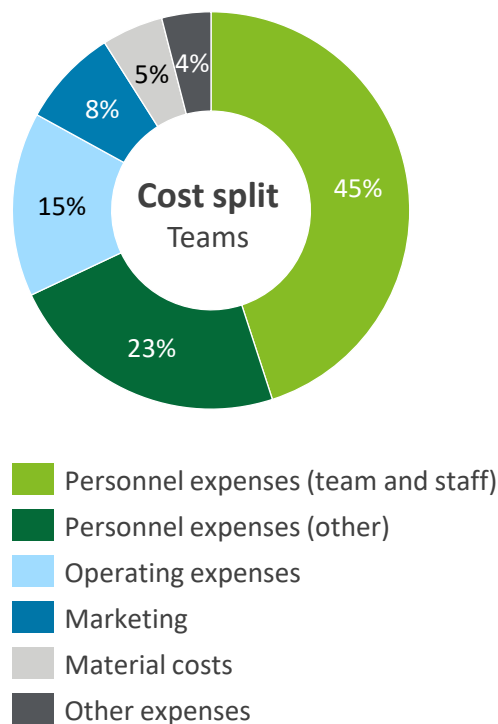
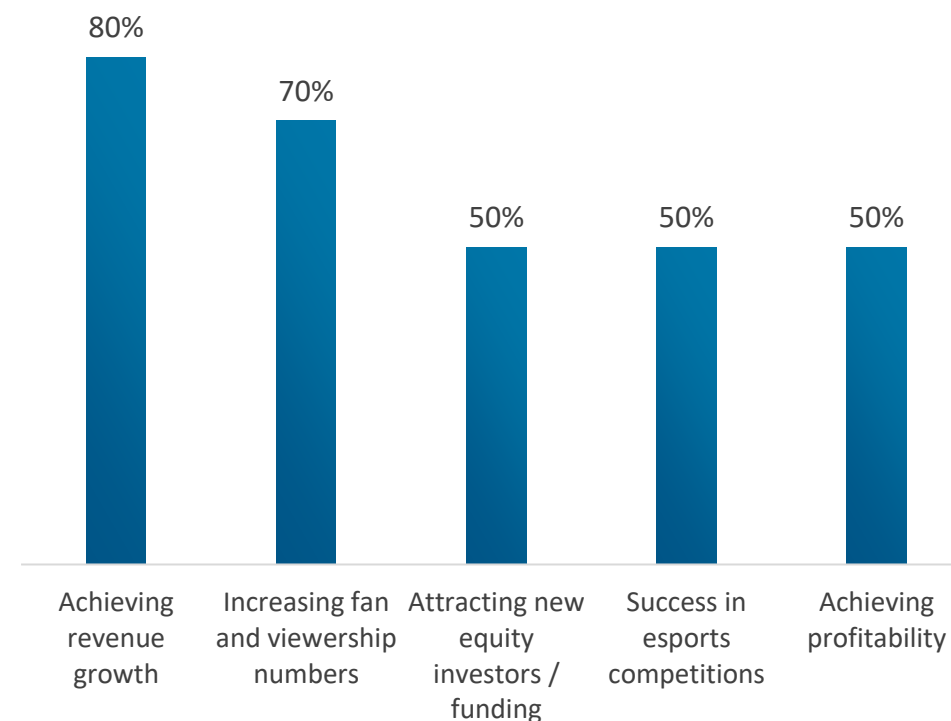


Fig. 21 – Top 5 business priorities³
European esports teams² in 2022



Notes: 1) Experts were asked to distribute their organisation's overall expenses among different business areas / income streams. 2) Some organisations are active in multiple segments; 3) Experts were asked which main business priorities are currently pursued by their organisation.
Source: Deloitte analysis

04 | Creating Value in European Esports – Esports league and event organisers

While revenues of league and event organisers are driven mainly by sponsorships, ticket sales and publisher payments, companies are increasingly leveraging their existing skills and capacities outside of competition-related esports, as well

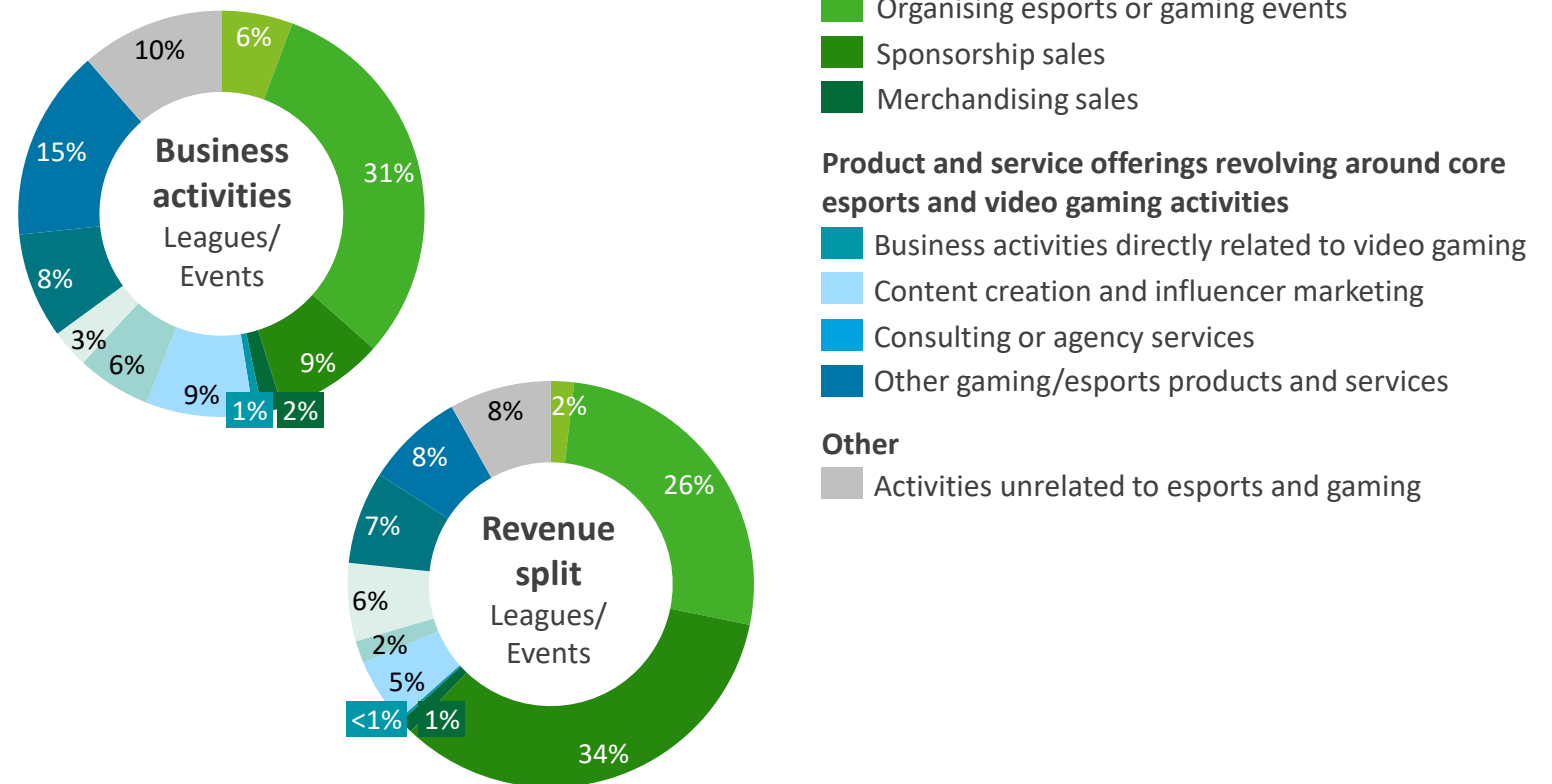
Events and leagues thrive on brand power

Like esports teams, esports league and event organisers are increasingly expanding to adjacent business areas. However, although the revenue contribution from classic, competition-related business activities remains larger compared to the invested company resources (see figure 22). This is mainly driven by the high revenue contributions from the sale of sponsoring space and event tickets but also by the publisher payments associated with the organization of events.

Compared to the efforts of the esports teams in the ‘expanding’ business areas, the focus is less on content creation and agency work but on leveraging technical capacities that already exist within league and event organising companies to provide media production capacities and esports-related data services.

Furthermore, the brand power of the events and the existing sponsorship connections are used to develop and market product partnerships with traditional companies, resulting in a high revenue contribution compared to the corresponding need to invest internal resources.

Fig. 22 – Business activities and revenue split¹
European esports league and event organisers² in 2022



Notes: 1) Experts were asked to distribute their organisation’s overall business activities and revenues among different business areas / income streams; 2) Some organisations are active in multiple segments.
Source: Deloitte analysis

04 | Creating Value in European Esports – Esports league and event organisers

The major cost factor for league and event hosting organisations remains personnel expenses, albeit not primarily for matchday personnel. The main business priorities are growing revenues and attracting new partners

For league and event hosts, growing their business is the #1 priority

The organisation of esports events and leagues is a personnel-intensive business, which is also reflected in the cost split of the companies (see figure 23). In addition, a fifth of the costs is incurred in the operational area.

Like esports teams, the business priorities among the event and league hosts focus on the growth area (see figure 24), with profitability slightly lagging compared to the teams' segment.

Fig. 23 – Split of organisational expenses¹
European esports league and event organisers² in 2022

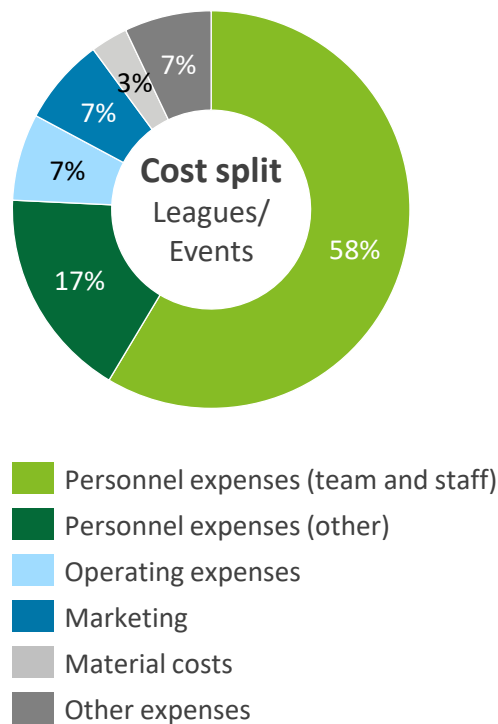
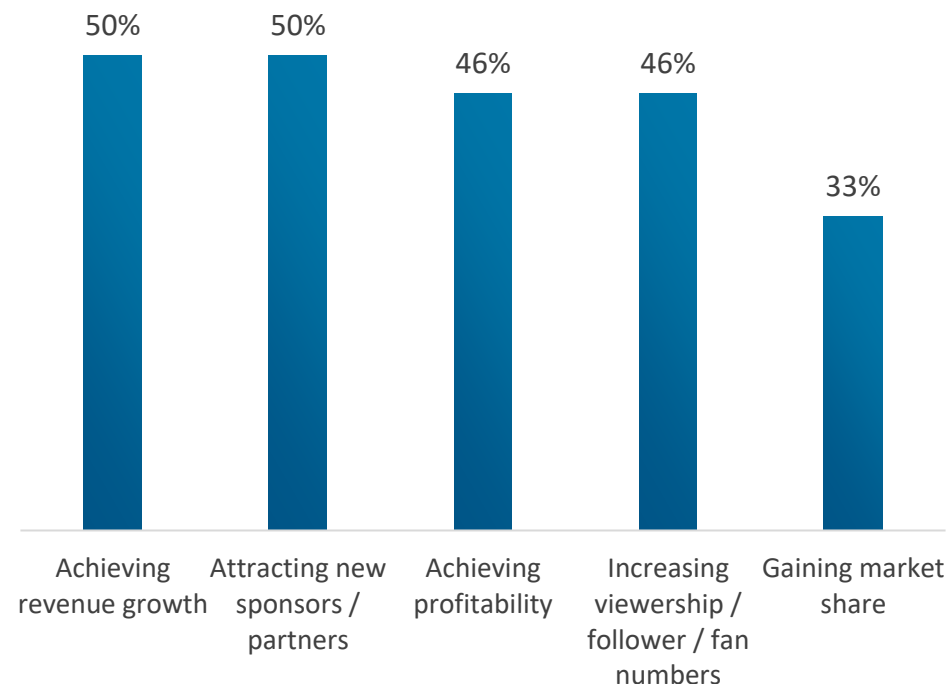


Fig. 24 – Top 5 business priorities³
European esports league and event organisers² in 2022



39%

of league/event organisations expect **profitability** of the overall business to **improve** in 2022 compared to 2021

28%

of league/event organisations expect the overall business to **be profitable** in 2022

Notes: 1) Experts were asked to distribute their organisation's overall expenses among different business areas / income streams. 2) Some organisations are active in multiple segments; 3) Experts were asked which main business priorities are currently pursued by their organisation.
Source: Deloitte analysis

04 | Creating Value in European Esports – Esports M&A

Equity investments in esports have become increasingly popular in recent years, fuelling the growth of esports teams as well as league and event organisers. From 2019 to Q3 2022, 51 organisations worldwide changed majority ownership

External investors bring capital, know-how and networks to esports organisations

Attracted by the current buzz around esports, expanding audience and growth prospects, an increasing number of endemic and non-endemic investors seek viable investment opportunities in the sector. They are encountering esports companies looking to add capital, revenue, know-how and networks to their organisations. Hence, equity investments have gained traction in recent years, with 51 majority acquisitions¹ recorded globally since 2019 (see figure 25). In this context, more than one in four transactions (29%) involved a non-endemic party as the buyer, namely companies from traditional industries or private individuals such as business people or celebrities (see figure 26).

In addition to the majority transactions, many investments were aimed at acquiring minority interests or were raised by existing investors in the course of capital increases. This is underscored by the market experts' statements, as one-in-four teams (27%) and one-in-five league and event organisers (19%) stated that they have collected funding this way during the past year.

Fig. 25 – Number of esports M&A deals¹ 2019 to Q3-2022 YTD² by seller type

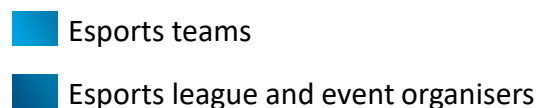
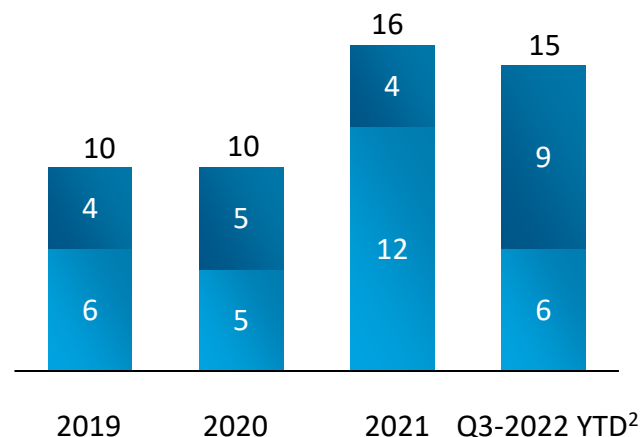
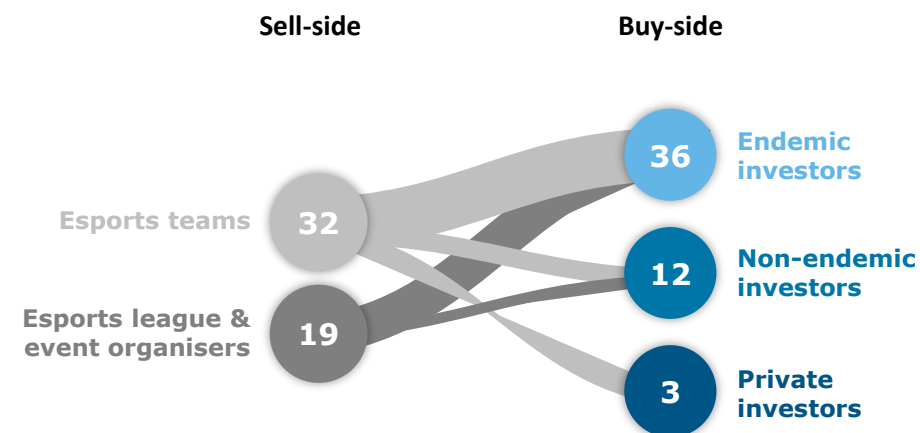


Fig. 26 – Market consolidation by transactions per investor type 2019 to Q3-2022 YTD²

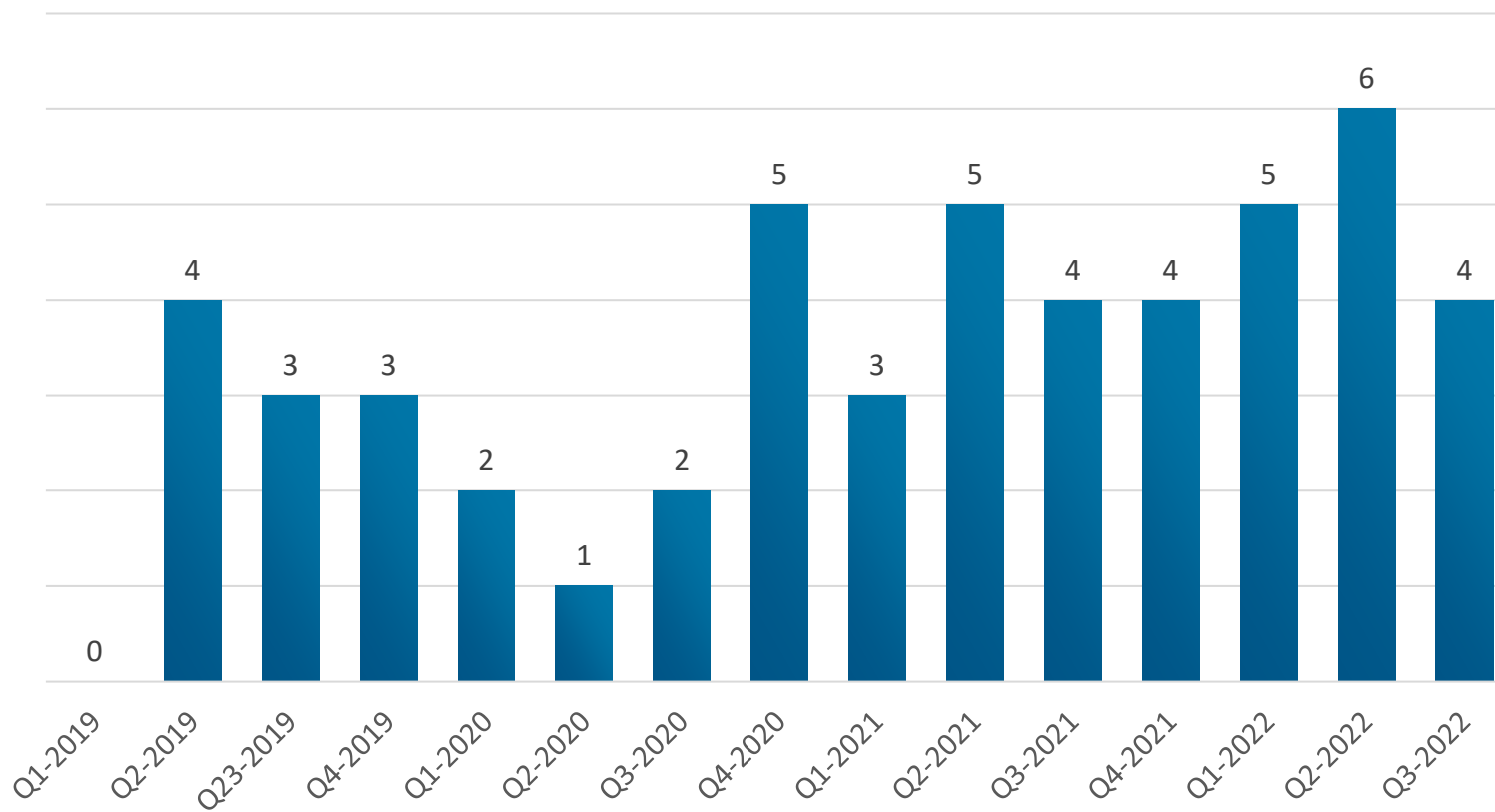


Notes: 1) Considered were equity investments on a global level which were made in companies that operate esports teams or that organise esports leagues, events and tournaments, and in which more than 50% of the target's shares were acquired. 2) Year-to-date.
Source: Mergermarket, Esports Insider, Deloitte analysis

04 | Creating Value in European Esports – Esports M&A

With esports drawing much attention during COVID-19-related lockdowns, M&A activities in the sector have increased since late 2020. The overall developments across the esports sector suggest that investment activity will remain high

Fig. 27 – Number of esports M&A deals¹ 2019 to Q3-2022
by quarter



Notes: 1) Considered were equity investments on a global level which were made in companies that operate esports teams or that organise esports leagues, events and tournaments, and in which more than 50% of the target's shares were acquired.
Source: Mergermarket, Esports Insider, Deloitte analysis

27% **19%**
of **teams** and of **leagues/events**
have raised funds through minority investments or capital increases in the last 12 months

36% **25%**
of **teams** and of **leagues/events**
are actively looking for new funding opportunities

27% **25%**
of **teams** and of **leagues/events**
are currently in negotiations with potential investors

05

Appendix

05 | Appendix – Glossary

Baby Boomers

Respondents age 57+

Battle Royale

In a Battle Royale match, multiple players compete on the same map, starting with minimal equipment. The object is to be the last remaining player on the map after all other players have been eliminated either by combat or by being ‘trapped’ outside a shrinking ‘safe zone’ on the map.

Card Games

Collectible Card Games bring classic trading card games into the digital world, often based on the same rules as the analogue games.

Commercial Conversion

Share of respondents who have paid money for esports-related content, products or services in the last six months, either for themselves or for someone else (for example, as a gift or paying a fee for friends and family).

Endemic companies

Companies whose core products and services are related to video gaming and/or esports.

Esports

This study defines esports as playing computer, mobile and console video games on a professional competitive level, with teams or individuals playing each other within leagues or tournaments. Aside from the competitions, esports is primarily a spectator product and is watched by audiences on the internet, on TV and on-site at live events. Esports are a subcategory of the overall gaming industry, which includes the active and leisure playing of video games.

Esports Ecosystem / Sector (Stakeholders)

The esports ecosystem revolves around key value drivers and orchestrators of esports competitions, products, services and content. Besides the core value-creating stakeholders (league organisers, event hosts and esports teams and players), it includes stakeholders from the publisher segment, traditional media and online platforms, and strategic partners. Also, the esports audience is a key stakeholder in the esports ecosystem.

Esports’ Definition Awareness

Share of respondents who know the term ‘esports’ and can define it correctly.

Esports Engagement Maturity

Developmental stage of individual esports markets regarding term and definition awareness, overall reach, meaningful reach, regular reach and commercial conversion.

Esports Genres

Category of games classified by structure, design and goals of the specific games.

Esports Term Awareness

Share of respondents who know the term ‘esports,’ independent of the ability to define the term correctly.

Esports Titles

Individual game titles in which the competitions are held. Therefore, in the esports context, they are comparable to ‘disciplines’ in sports.

05 | Appendix – Glossary

Esports viewers

Respondents who have watched professional esports in the last six months on the internet, on TV or at a live event.

Fighting

In fighting games, two or more players engage in battle, mainly featuring hand-to-hand combat elements.

FPS / First-Person Shooter

FPS games focus on weapon-based combat between teams or individuals from a first-person perspective. There are different matches with distinct goals, for example, occupying the home base of the opponent.

Generation X

Respondents aged 42-56

Gen Z

Respondents aged 16-24

Hardcore viewer

Esports viewers who watched esports content at least 7 hours per week in the last six months.

Heavy viewer

Esports viewers who watched esports content between 4-6 hours per week in the last six months.

Occasional viewer

Esports viewers who watched esports content less than once per week in the last six months.

Overall Esports Reach

Share of respondents who have watched professional esports content at least once in the past.

Meaningful Esports Reach

Share of respondents who have watched professional esports content at least once in the last six months.

Millennials

Respondents aged 25-41

MOBA / Multiplayer Online Battle Arena

In MOBA, two teams compete against each other from a home base on different maps with distinct features. The players, who each control a character with specific strengths and weaknesses, collaborate as a team to execute their overall strategy. The objective is to destroy the opposing team's home base.

NFT / Non-Fungible Token

A non-copyable, non-changeable, and non-subdividable digital identification stored on a blockchain, used to verify ownership.

Non-endemic companies

Companies whose core products and services are unrelated to video gaming and/or esports.

Non-viewers

Respondents who have never watched professional esports.

Racing

Racing games simulate racing competitions based on a wide variety of vehicles.

Regular Esports Engagement

Share of respondents who have watched professional esports content at least once per week in the last six months.

05 | Appendix – Glossary

Regular viewer

Esports viewers who watched esports content between 1-3 hours per week in the last six months.

RTS / Real-Time Strategy

In RTS games, players develop assets such as infrastructure, resources or troops in an attempt to outmanoeuvre their opponents.

Simulation

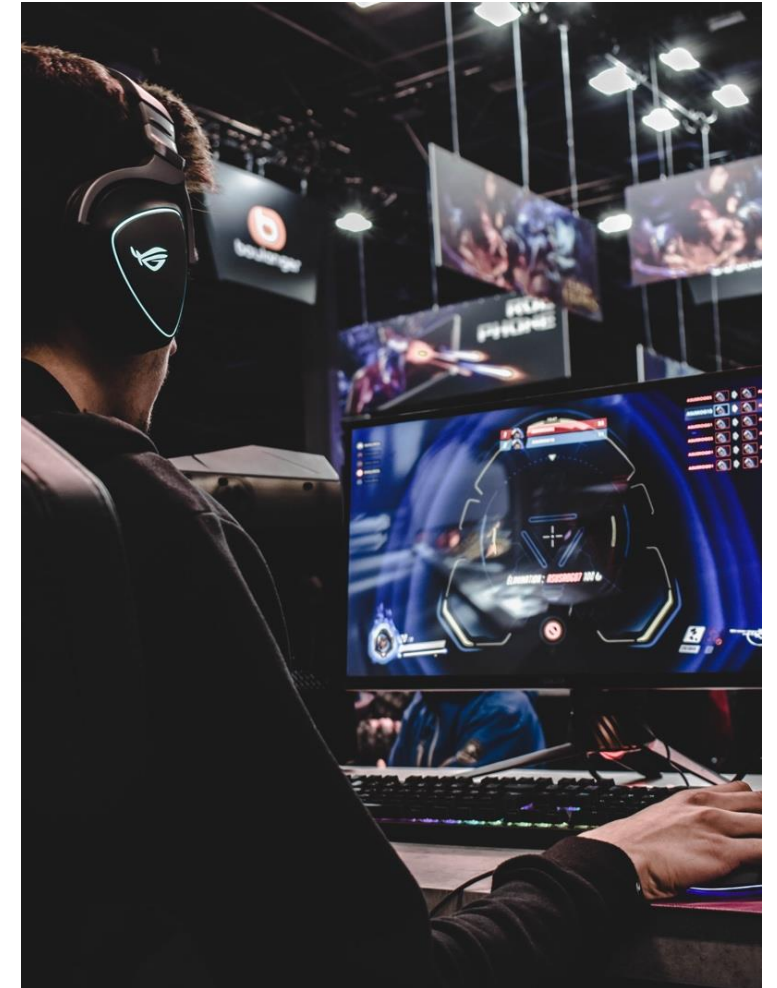
The Simulation genre aims to closely simulate/copy real-world activities.

Sports

Sports simulations bring sports into the video gaming world by either adapting real-world sports in their original game environment or adapting specific elements of sports in a more abstract setting.

Video gaming peripherals

Add-on video gaming products such as controllers, gaming chairs and headsets.



05 | Appendix – Methodology

Methodology

Deloitte conducted an extensive survey in summer 2022 to obtain reliable consumer data. The survey involved some 25,000 consumers globally, of which 14,000 were located in European countries. We also asked representatives of more than 50 stakeholder organisations from the European esports ecosystem to provide their thoughts on current topics and sector developments.

The consumer survey is representative with regards to the online population of individual countries in terms of age (16-65), gender and urbanisation rates. Still, it is not suitable for forming a global or continental average, as the results are not weighted, and some markets were not considered. Accordingly, all total and average reported values are to be understood exclusively as figures for the investigated overall sample but not for the global or continental population.

For the expert survey, Deloitte contacted numerous European sector representatives in cooperation with the Interactive Software Federation of Europe (ISFE).

In the first part of the survey, experts provided information about their organisation's business activities and economic situation. Then, in the second part, they had the opportunity to discuss overall trends and matters that impact the development of the esports sector in Europe.

A total of 53 experts from organisations in 15 countries (Belgium, Denmark, Finland, France, Germany, Hungary, Italy, Norway, Poland, Portugal, Spain, Switzerland, the Czech Republic, the Netherlands and the United Kingdom) accepted our invitation.

Please note that figures in this report are typically rounded. Therefore, it may not be possible to recreate sums, shares and growth rates based on other stated figures, as the underlying calculation is based on precise (non-rounded) values.

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05 | Appendix – Contacts



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05 | Appendix – Sports Business Group

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- Valuation of sports and fitness companies
- Market and location analyses
- Benchmarking analyses
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