



## Article

# Esports: A Dynamic, Fast-Growing Industry

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## Introduction

From its infancy the 1980s in the form of arcade video gaming, electronic sports (or “esports”) has seen rapid growth in recent years with the advancement in technology and the internet. Briefly, esports are competitive tournaments organized for video game players involving audiences that watch video gamers compete against each other, similar in many ways to the experience of viewing a professional sports event. Esports events comprise competitive leagues and tournaments. Online livestreaming platforms like Twitch have brought esports content to global audiences on a scale that would have been unimaginable in its early days.

Esports is reported to have been worth roughly US\$1 billion in 2019, and is projected to grow 400% in the next seven years to US\$4.28 billion by 2027, according to Data Bridge Market Research. Total esports viewership is expected to grow at a 9% compound annual growth rate between 2019 and 2023, up from 454 million in 2019 to 646 million in 2023, based on Insider Intelligence estimates.

Beyond the esports industry itself, which comprises the organisers, sponsors, competitors and advertisers of the esports competitions, parallel industries appear set to benefit from the growth in esports and create opportunities beyond gaming events alone. These industries are:

### Gaming video content

Gaming video content comprises online media platforms, competitions, video games and sponsors of video game players. Gaming is one of the few sectors that has benefitted from the Covid-19 pandemic in 2020, as people have faced extended periods at home and turned to alternative forms of entertainment. The Covid-19 pandemic shifted competition to being digital only whereas previously teams played in crowded arenas in front of large audiences.

### Big data

As a purely digital ecosystem, esports is generating vast amounts of data and will increasingly do so in the future. Competitor and performance analysis, including artificial intelligence, will likely play a key role in the professionalisation of esports. Big data analytics in esports will become crucial for delivering a competitive edge.

### Blockchain

Most will have heard of blockchain technology as it relates to Bitcoin but this immutable, decentralised ledger system is finding new applications in the esports ecosystem. There is a nascent industry of digital collectibles such as in-game items and digital artwork, which can be individually tokenised on a blockchain. This allows users to acquire such digital collectibles that are stored securely on a blockchain to prove rarity and authenticity. Tokens can also be used to allow the public to buy shares in teams and otherwise participate in the financial upside of esports, as well as facilitating fundraising for teams, stadiums and meeting other capital requirements.

## Growing Investment in Esports

The global esports industry achieved an investment volume of €1.7 billion (US\$2.01 billion) in 2019 based on a report by the *Esports Observer* published in January 2020. Investment in esports has largely been in the private markets from a variety of sources such as media companies, angel investors, professional sports teams and venture capital funds.

However, the potential of this growing market has led to some companies seeking additional capital in the stock market. In 2020, London-based organisation Guild Esports completed its floatation on the London Stock Exchange, becoming the first esports organisation to join the London Stock Exchange. In November 2019, Astralis Group became the first esports organization to conduct an initial public offering on the Nasdaq.

The esports industry has also seen an increase in joint ventures, often as cross-border transactions, which underlines the global distribution of the industry participants. The US media company Comcast and South-Korean telco SK Telecom created a global esports joint venture called SK Telecom CS T1 in October 2019.

In May 2019, Reus Capital Partners, a Spanish private equity firm, and Ticnova Quality Team, a Spanish wholesale company, together sold an undisclosed stake of Fandroid. Fandroid is a Spanish esports event organiser and owner of Liga de Videojuegos Profesional. The buyer, Mediapro, is a Spanish multimedia communications group involved in movie and television production.

## **The BVI Solution**

With more than 400,000 companies, the BVI is the world's most popular jurisdiction for offshore incorporation. A BVI company provides an ideal vehicle for investment into esports businesses for the following key reasons:

### ***Cost and timing***

BVI companies can be incorporated on a same-day basis and the costs of formation and ongoing maintenance of a BVI company compares favourably with other offshore jurisdictions.

### ***Flexible company law***

The BVI company law legislation is based on Delaware company law and the BVI legal system is founded on the English legal system. A business-friendly and progressive company law statute has been developed that provides a high degree of flexibility. By way of example:

- BVI companies can be incorporated unrestricted objects or purposes.
- A BVI company can issue shares either with or without par value, and in registered or bearer form. The consideration for the issue of shares can take any form not expressly excluded by the memorandum or articles of association.
- There is no mandatory concept of share capital, share premium or capital maintenance.
- The BVI does not have a statutory regime for takeovers which therefore allows BVI vehicles to be used as listing vehicles on stock exchanges without the risk of conflicting or duplicate legislation.
- BVI company law does not impose mandatory pre-emption rights on share transfers or the issue of new shares.

### ***Sophisticated judicial system***

The BVI has an independent legal and judicial system based on English common law, with a right of final appeal to the Judicial Committee of the Privy Council in London. The BVI has a dedicated and experienced Commercial Court.

### ***Ease of secured financing***

The process for the granting and registration of security interests granted by a BVI company is straightforward and effective. The insolvency laws of the BVI are considered to be creditor-friendly. Taken together, this allows BVI vehicles to be easily and frequently used in international financing transactions.

### ***Tax neutrality***

No taxes or duties are assessable in the BVI on a BVI company or its international investors.

### ***Compliance with international regulatory standards***

The BVI has been deemed compliant with the "forty plus nine" recommendations formulated by the Financial Action Task Force in relation to the implementation of anti-money laundering and counter-terrorist financing standards. The BVI is on the OECD white list of jurisdictions committed to implementing transparency and effective exchange of information for tax purposes.

## **We are here to help**

Professional advice should be sought if you are considering the BVI for an esports venture. Please feel free to reach out to your usual Conyers contacts with any questions regarding the use of BVI companies in esports transactions.

For further information, please contact your usual Conyers contact or one of the contacts listed below.

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This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

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