

FANDOM SPORTS Media Corp. (FDM)

July 07, 2020

A small publicly-traded company in Canada is looking to disrupt the betting space in Esports. That company is called FANDOM SPORTS Media Corp.

According to market researcher Newzoo, 2 billion people will be aware of Esports worldwide this year, an increase from 1.8 billion in 2019. China will continue to be the country/market that will contribute most to this number, with 520 million Esports-aware people.

FANDOM SPORTS' ingenious platform socially engages Esports fans by allowing them to bet on Esports outcomes through Fancoins that are earned and not bought which nicely falls under a non-regulatory and compliant scenario.

The large advantage Fandom enjoys is that their platform is agnostic and complements Esports themed enterprises rather than competes with them. This mitigates the large capex generally associated with user acquisition. Users can also earn Fancoins from watching ads and bringing others on the platform.

We initiate coverage of FANDOM SPORTS with a buy recommendation and a price target of \$1.26, which is 215% above today's stock price.



- ▣ Esports are moving into the mainstream. The immense popularity of survival-based games like Fortnite, growing prize pools for Esports tournaments, the rise of live-streaming, and improving infrastructure for pro leagues have all paved the way for Esports to reach nearly 300 million viewers by 2022, on par with NFL viewership today.
- ▣ According to a report from market research company iResearch, China's Esports market is projected to reach 140.57 billion yuan (~\$20 billion USD) in size by the end of 2020 and grow to 165.14 billion yuan (~\$23 billion USD) in 2021. Especially, mobile games and Esports events contribute most to the growth.



Market Data	
Price	C\$0.40
Sector	Esports
52-Week Price Range	C\$0.04 - C\$0.70
Shares Issued (m)	31.12
Market Cap (m)	C\$12.5
Listings	FDM (CA) & FDMSF (US)
Website	www.fandomesports.com

THE COMPANY

Play...Predict...Get Rewarded!"

Investors have long touted Esports as the future of competitive entertainment, but few could have predicted that a global pandemic would ultimately thrust it into the public spotlight.

With conventional sports on hold during COVID-19, Esports quickly captured the hearts and attention of sportsfans worldwide.

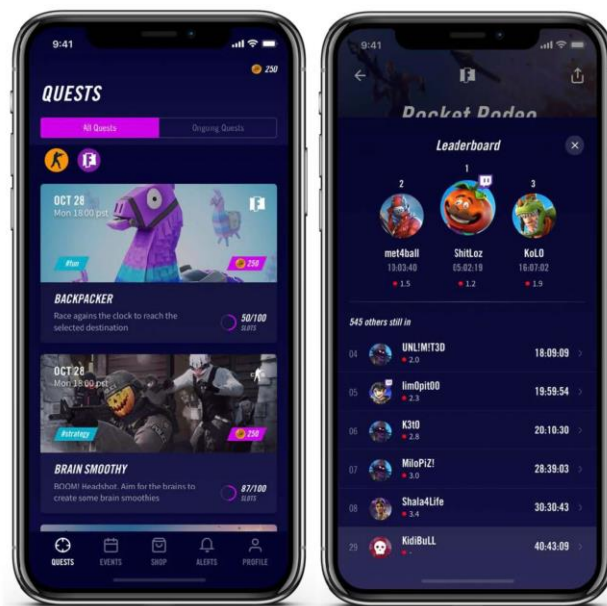
As people look at Esports to fill their need for competitive entertainment, products dedicated to supporting and enhancing the Esports experience are also noticing an instant lift. This is where FANDOM SPORTS Media enters the picture.

Fandom has applied basic sports betting logic to Esports events to offer viewers a points-based reward system. Where gamers earn experience points as they advance through missions and quests, viewers can receive rewards - named Fancoins - for completing missions or by correctly predicting the outcome of a particular Esport live-stream or tournament. The Fandom platform even lets users interact with each other, offering the chance to wager their Fancoins against one another.

Within the digital environment, spectating is simply not enough, and Fandom's "Play. Predict. Get Rewarded" slogan supports this concept. Where the fan participation at NBA games is often limited to the T-Shirt Toss, this new wave of products are focused on turning the spectator into a participant.

The Company is introducing an Esports betting dichotomy via the creation of a socially entertaining all-ages Esports platform that is anchored by blockchain technology and enables users to earn virtual currency in a secure player wallet. The "Fancoins" can be earned by viewing advertisements, betting with other users/players and referral marketing. The coins are generated through sponsorships and Fancoins can be redeemed by way of in-app purchases, exchanging Fancoins for merchandise and purchasing tickets for events.

Moreover, the Company will utilize a second token for Esports betting and appointed advisors and consultants will define the state-of-the-art Esports betting vertical under the two-token economy.



The FANDOM ESPORTS app is a social entertainment platform dedicated to Esports fans of every vertical that will change the way fans interact. The app will alter the social Esports landscape by pulling Esports passions together into a single social umbrella, providing a community for Esports fans to engage with each other and earn real-world rewards.

FANDOM SPORTS has assembled an outstanding team of experts in the space to help in the buildout of a cutting edge Esports betting platform with unique functionalities and features. The Company is exploring methods to monetize global Esports debates as well as potential fantasy gaming and Esports betting with a partnership-based business model.

THE FANDOM PLATFORM

The Fandom Esports platform will host two user groups: the all-age Esports gaming community, and the verified player Esports betting vertical.

The Platform features:

- BLAZE blockchain secured player identity,
- Micropayment capability with 50,000 transactions per second,

- ❑ The Fancoin dual coin ecosystem,
- ❑ Geo-fencing enabled, and
- ❑ Chinese language support.

These elements provide a solid foundation for the Company's global launch of its unregulated prediction, as well as its regulated betting business models.

All-age registered Esports fans will be issued a cryptography secured wallet and initial Fancoin balance to predict Esports events. To earn more Fancoins, users can spend time on the application to wager with one another, open up daily MysteryBox rewards, watch video ads, and invite friends to also earn Fancoins.

Fancoin is an internationally trademarked cryptography secured Esports currency. The Blaze Blockchain in-game Fancoin ensures each transaction within the player economy is securely stored to players wallets as they make predictions, interact and transact both in the virtual world and in real-life events.

Fancoins can provide a further benefit to end-users as rewards or incentives for targeted sponsorship or published content. The platform's blockchain-based model offers the ability to direct relevant content to users based on their preferences and user habits.

The end goal is to attract users who become invested as "players", who compete for rewards and prestige while building their unique "Player Card" with the associated wallet. It provides a potential recurring revenue generator attached with high margins for the Company, as this captivated global fan base remains within the Fandom Esports ecosystem.

The Company plans to utilize the second token for regulated Esports betting. With secured player identification, only Know Your Customer (KYC) verified players may participate in Esports betting events. Through implementation of Geo-fenced local markets, the Company will ensure compliance with all local regulations.

A couple of weeks ago, FANDOM SPORTS retained Segev LLP legal counsel for the Esports licensing required for globalized

betting. The Company will be undertaking a strategic review to prioritize jurisdictions.



The Fandom Esports platform is meant to be fun, engaging and rewarding. The platform is agnostic and does not compete with the actual Esports games but rather complements them. A Fandom platform user could be a Call of Duty aficionado and engage with likeminded users to make predictions on aspects of a specific Esports game and get rewarded with Fancoins for their efforts. The Fancoins are earned - not bought - through watching ads, affiliate referrals, and betting against other users.

Segev LLP employs a strong iGaming team with corporate, commercial, IP commercialization, M&A, private equity finance, public markets finance, privacy and data, and regulatory and compliance experience.

David Vinokurov CEO and President of Fandom Sports states, "We are pleased to take definitive steps towards accelerating our dual initiatives of the all ages Esports engagement platform and the pure play regulated Esports betting platform. Regulated Esports betting is now a mainstream business opportunity and there is an implied quantifiable value for these types of businesses. We look forward to accelerating our licensing initiatives and building a true global Esports betting brand that is fully regulatory and compliant."

The English version of the all ages Esports app is currently being Beta tested by strategic advisors. Other Beta language versions currently in the development pipeline include Chinese and Arabic.

BLAZE Protocol

The Fandom Esports Platform was created to be scaled up to millions of users and efficiently handle the requests of these users

in real-time. As the number of users increases, the number of in-app purchases is bound to rise and result in thousands of microtransactions per second.

BLAZE is a patented blockchain technology developed by Deqode. Thanks to its unique structure, governance, consensus, and crosswise transaction mechanism, BLAZE offers one-of-its-kind nonlinear structural growth - making it the fastest and the most suitable to control a large number of transactions. In fact, because of its unparalleled speed, BLAZE is poised to take over the microtransactions industry.

Using BLAZE as a payment infrastructure provides additional value to FANDOM's end-users, as they can make in-app purchases, or spend it across all the other apps in the ecosystem.

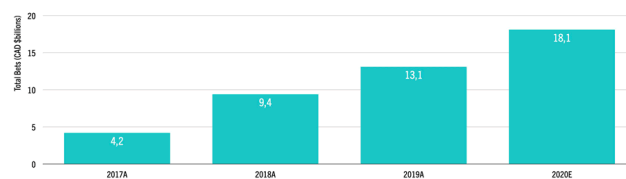
The sublicensing model allows FANDOM to generate revenue by charging a suitable fee from other publishers for creating and maintaining their nodes on the BLAZE Blockchain. BLAZE as a payment infrastructure enables FANDOM SPORTS to provide the best experience to the partners as well as gamers with high efficiency and lower cost structure. With BLAZE Protocol, FANDOM SPORTS will be well positioned to take part of the mobile revolution taking place in the gaming and sports entertainment industry.

THE MARKET

Esports have been around for as long as the video game industry itself, and collectively refer to competitive video games being played by professional and amateur gamers. In more recent years, growth in the gaming audience and number of players has elevated Esports into mainstream culture as a legitimate professional sport with a massive global following.

In the early years of Esports, there was little organization or infrastructure, and as a result, the massive audience of Esports did not translate into meaningful revenue streams for players, team owners, etc. But in 2017, Riot Games created the North American and EU League of Legends leagues, while in January

of 2018, Blizzard launched the Overwatch League, which changed the whole industry.



The Global Esports Betting Market is Forecasted to Grow at a 44% 4-year CAGR.

Revenues generated from Esports in 2017, included 38% from sponsorships, 14% from media rights, and 9% from ticket revenue. By 2022 however, media rights are expected to reach 40% of total Esports revenue, which is comparable to the average of the four major Western sports leagues today. As a result, established online video platforms like Twitch, YouTube, Douyu, and Huya will be able to pay increasing sums to top Esports publishers for their content.

China - The Largest Esports Market In The World

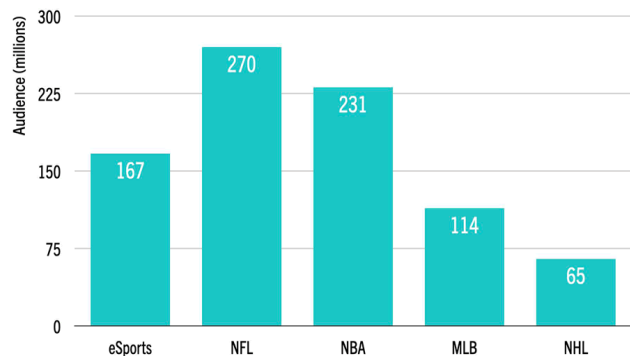
China's online gaming and Esports sector has moved from a niche into a huge growing market due to several reasons:

- From 2000 to 2015 buying an Xbox or a PlayStation was not an easy feat for Chinese Gamers, since most consoles were simply banned from official sale. As a result, people turned to internet cafes, and later smartphones. Smartphones, especially the ones produced in China, were way cheaper than an average PC, way more compact than any laptop and, above all, omnipresent. They became the common playground for the droves of thrill-hungry Chinese teens and adults.
- In 2016, China's NDRC (National Development and Reform Commission) issued a policy to "encourage national and international Esport tournaments. The Ministry of Education also recognized Esports as a major of study for higher education. Under this benign policy environment, more capital flowed into the Chinese Esport ecosystem, yielding more professional leagues, tournament producers, content distributors and specialized stadiums.

- Also the current lifestyle of a majority of China’s population plays an important role. An average inhabitant of Beijing or Shanghai spends nearly two hours every day commuting. As a result, people in China play Esports on trains, subways and buses to kill the time.

According to a report from market research company iResearch, China’s Esports market is projected to reach 140.57 billion yuan (~\$20 billion USD) in size by the end of 2020 and grow to 165.14 billion yuan (~\$23 billion USD) in 2021. Especially, mobile games and Esports events contribute most to the growth. At the top of the list is Esports: live streaming of in-game footage from League of Legends, DOTA 2, Call of Duty, and other games from publishers like Tencent, PUBG, Perfect World, Riot Games, and NetEase is huge.

According to the same iResearch report, the number of Esports players and viewers will expand to around 520 million this year, with female users driving the increase. While females comprise less than one-fifth of all Esports players and viewers in China, they will make up 36% of all users by the end 2020, the report said.



Esports is mainstream globally: 18-25 year olds (Gen Z) watch more computer games than traditional sports. Above, the Esports audience compared to traditional sports audience.

Xinhua, the Chinese state-run press agency reports that more Chinese citizens watch Esports than livestreams for traditional sports. Note that this is not a Chinese trend only. In 2019, for example, the Super Bowl had 98 million viewers worldwide, while the League of Legends World Championships had 137 million.

China, and Asia as a whole, is leading the way for Esports globally. **The popularity of Esports in this region could be a leading indicator of what is to come in Western markets.**

FINANCIALS

FANDOM SPORTS’ net loss totaled \$905,111 for the nine months ended October 31, 2019, with basic and diluted loss per share of \$0.006. This compares with a net loss of \$1,821,971 with basic and diluted loss per share of \$0.013 for the nine months ended October 31, 2018. The reduced spend difference of \$916,860 was mainly due to lower consulting and management fees, share-based payments, travel expenses, and marketing and promotion.

Amounts in \$000's	10/31/19	10/31/18
Consulting & Management Fees	366	668
Legal & Audit Fees	190	173
Office & General	128	268
Share-Based Compensation	69	381
Travel	59	252
Total Expenses	905	1,822
Net Loss	905	1,822
Diluted EPS	(0.00)	(0.01)

Selected income statement data for the nine months ended October 31, 2019 and October 31, 2018. Source: Company Filings

Balance Sheet As Of October 31, 2019

In April of this year, FANDOM SPORTS raised \$752,290 in an oversubscribed Private Placement. The Company issued a total of 10,590,000 units at a price of \$0.05 (\$0.50 post-split)*. Gross proceeds of the Placement also included settling an aggregate of \$222,790 in outstanding debt with the issuance of 4,455,805 common shares at a deemed price of \$0.05 per share.

* Note that early 2020, the Company completed a share consolidation on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares.

It's important to note that due to the Private Placement and debt settlement earlier this year, FANDOM's balance sheet looks much cleaner now than it did on October 31, 2019.

Amounts in \$000's	10/31/19	10/31/18
Cash and Cash Eq.	18	1,589
Prepays Expenses	13	106
Total Current Assets	36	1,701
Intangible Assets	761	1,174
Total Assets	800	2,885
Accounts Payable	125	185
Total Liabilities	125	185
Total Stockholder Equity	675	2,700
Selected balance sheet data on October 31, 2019 and October 30, 2018. Source: Company Filings		

RECENT NEWS

GIC Merchant Bank Engaged for M&A Advisory

A few days ago, Fandom engaged GIC Merchant Bank Corporation for Strategic Advisory Services. GIC will act as Fandom's strategic financial advisor to improve the Company's shareholder value through organic and acquisitive growth. The scope of services will include:

- Review acquisitive opportunities and synergies.
- Sales and Distribution.
- Financing.
- Capital markets guidance.

Philip Chen, Chairman of Fandom Sports commented, "Having a Merchant Bank like GIC behind us gives us a decided edge for exploring, assessing and funding potential accretive and synergistic opportunities that may arise. GIC will support timely and relevant initiatives that will unlock additional shareholder value."

OUTLOOK & VALUATION

Because the distribution of Esports is nearly 100% digital, fans can stream Esports content for free anywhere in the world, unencumbered

by traditional TV rights that for most Western-based pro sports leagues have been segmented by geography and are often lumped into an expensive cable subscription.

Unlike many existing pro sports, the Esports audience is young, digital, and global:

- More than half of Esports viewers are in Asia,
- 79% of viewers are under 35 years old, and
- Online video sites like Twitch and YouTube in the West, and Douyu and Huya in the East have a larger audience for gaming alone than HBO, Netflix and ESPN combined.

Therefore, Esports are at the cross-section of some powerful trends: social connections being formed and maintained online, digital consumption of video, and global growth in the gaming audience.



The Fandom Platform enables applications to be operated in partnership with leading Esports themed brands, leagues and service providers within two verticals – Esports and iGaming.

The current market cycle is showing explosive growth in Esports and Esports betting. The trend favours all things Esports, and FANDOM SPORTS Media is uniquely positioning itself in the market.

The Company will take full advantage of a socially interactive and engaging model as well as pursuing a more regulatory age and jurisdiction restricted betting model. Both businesses offer high margin possibilities on scale.

Valuation

The following companies are among FDM's competitors in the Esports market:

FansUnite Entertainment [Public: FANS] operates a sportsbook and offers sports betting, including Esports, to the UK. FansUnite listed on the CSE in May 2020. It does not hold any licenses, but has completed the acquisition of McBookie, a leading provider of betting services in the UK. FansUnite has a market cap of C\$27.8 million.

Esports Entertainment Group [public: GMBL] is an Esports betting platform, which offers betting exchange style wagering and professional Esports events. The company listed on NASDAQ in April 2020. Esports Entertainment holds a Curacao license and a Malta license for pool betting only. Esports Entertainment has a market valuation of US\$66 million.

Askott Entertainment [private] is an Esports betting platform that also offers a B2B platform. The company has its iGaming platform Chameleon, which offers fixed odds betting. Askott also holds a Curacao license. The company raised C\$9.1 million in total funding and has a pre-money valuation of about C\$30 million.

Unikrn [private] is a privately held sportsbook and offers online Esports betting and online casino globally. The company holds a license from the Island of Man. Unikrn raised US\$31 million in 2017.

With a market cap of \$12.5 million, Fandom Sports clearly represents the least expensive investment in the Esports sector. In addition, the competitors are wagering based only and cannot provide the exposure to the all-ages Esports fan aggregation model that Fandom can. All in all, Fandom Sports offers a compelling valuation relative to its Esports industry peers.

As such, we initiate coverage of FANDOM SPORTS Media with a buy recommendation and a price target of \$1.26, which is 215% above today's stock price.

SHARE DATA & OWNERSHIP

FANDOM SPORTS Media has approximately 31.21 million common shares outstanding.

In addition, the Company has approximately 7.17 million warrants outstanding with a weighted average exercise price of \$0.14. The weighted average remaining life of the outstanding warrants is 1 year. Each warrant entitles its holder to purchase one common share of the Company.

Finally, FANDOM has 2.74 million stock options. Each stock option entitles its holder to purchase one common share of the Company.

The management of the Company and a consulting group together control about 20% of the common stock outstanding.

MANAGEMENT

▣ MR. DAVID VINOKUROV – PRESIDENT & CEO

Mr. Vinokurov is an accomplished executive with more than 12 years of extensive business and corporate development experience from a variety of industries. Most recently, Mr. Vinokurov served in management consulting roles to a publicly traded social commerce company plus several fintech and blockchain-enabled payment companies. Mr. Vinokurov has directly contributed to the raising of tens of millions of dollars for startup and small-cap companies.

▣ MR. ZHENGQUAN (PHILIP) CHEN - CHAIRMAN OF THE BOARD

Mr. Chen is Managing Partner and Co-Founder of Dynaco Capital Inc., a financial advisory firm based in Toronto and associated with numerous North American and Asian venture capital and private equity funds and multibillion-dollar Chinese conglomerates. He works on transactions between Chinese firms and North American companies. Mr. Chen has a current and strong focus in the gaming sector. He has established significant association and affiliation with a number of esports brands in Asia.

▣ MR. GUY BEN-DOV – MEMBER OF THE ADVISORY BOARD

Mr. Ben-Dov is an interactive entertainment executive and a serial media entrepreneur. He is working with startups as well as innovation teams in Fortune 500 companies to create,

build and launch games and platforms. Over the years, he co-founded a leading game studio, Side-Kick games, working with leading brands such as Disney, Rovio and Lionsgate and In-game ad platform, DoubelFusion, working with Microsoft Xbox, Playstation and major game publishers. Mr. Ben-Dov also co-founded and volunteers as the Chairman of the Israeli game association, GameIS, helping both local startups and international technology companies to grow their business in Israel. Mr. Ben-Dov spent 4 years in Southern California developing a network of gaming industry leaders in Silicon Valley and LA.

▣ **MR. YUANHUA FEI - MEMBER OF THE ADVISORY BOARD**

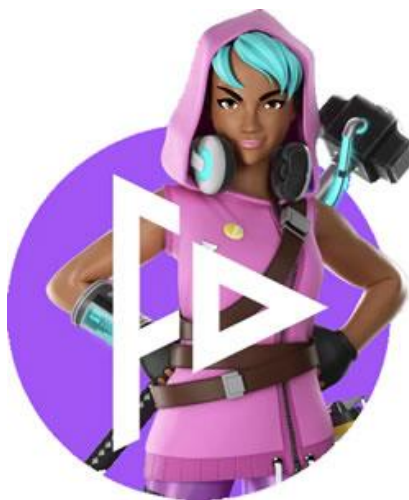
Mr. Yuanhua Fei is the president and CEO of Gamefy, a leader in Esports in China, owned by Shanghai Oriental Pearl Group, which is a subsidiary of Shanghai Media Group. G-League, the most popular esport's event created and owned by Gamefy attracts an audience of more than 100 million viewers in China every year. Prior to Gamefy, he was co-founder and VP at Shanghai Baizhilong IT company in Shanghai in 2015. Before that, Mr. Fei founded Shanghai Lejia Networks in 2011. He led a team that developed a series of games which were published by Tencent Games. He also worked as a director in charge of new products at Shanda Networks, one of the top 5 gaming companies in China from 2002 to 2004. Mr. Fei is connected closely with Chinese esports and Gaming and commands a high profile in this community.

▣ **MR. JOHN ARMSTRONG – MEMBER OF THE ADVISORY BOARD**

Mr. Armstrong is recognized as a thought leader in the esports space. His focus in recent years has been on Esport, as he has worked as a bridge to endemic and non-endemic brands for esports organizations and companies to facilitate investment, sponsorship and general business synergies to monetize the all-ages esports vertical. Mr Armstrong has over 25 years of experience in the tech industry and 20 years in the mobile content/games, video games, esports and gambling industries. Working with companies across sports and media he has collaborated on agreements with sports clubs including from the English Premier League to TV, Movie and Music Studios establishing expertise to define a state-of-the-art esports betting vertical.

▣ **MR. NEIL DUFFY - MEMBER OF THE ADVISORY BOARD**

Mr. Duffy is the Chief Commercial Officer of WorldGaming Network (WGN) & Collegiate StarLeague (CSL). WGN was a pioneering Esports tournament platform with over 3M global members, 11M matches played and \$60M+ in prizes awarded. WGN was acquired by Cineplex Entertainment (2015), prior to which Mr. Duffy led the acquisition of CSL on behalf of WGN. Over the past five years, Mr. Duffy and his team have grown CSL to become the world's largest collegiate Esports league and tournament operator with participation by over 1800 university/college campuses across North America, 70,000+ student-gamers playing across 15 different games. Mr. Duffy has been a leading sales and partnerships maker in Esports having worked with brands like TikTok, EA Sports, 2K, Riot Games, ESPN and Capcom.



CA: FDM
US: FDMSF
GER: TQ43

Company Headquarters
Suite 830 – 1100 Melville Street
Vancouver, BC V6E 4A6
Canada

Company Contact Information
Investor Relations
Phone: +1 604 256 6990
fandomsportsmedia@gmail.com

About Smallcaps Investment Research

We're proud that Smallcaps Investment Research is recognized as one of the most trusted online sources on U.S. and Canadian small cap stocks. We've earned that trust because we only highlight stable, ethical companies to our visitors and newsletter subscribers. We focus on fundamentally undervalued companies with a market cap below \$100 million, and we have a special interest in stocks with a high potential, innovative product or service. Read our [About](#) for more information.

This Company Report is prepared and distributed by Smallcaps Investment Research.

Contact: editor@smallcaps.us

DISCLOSURES

This publication has been prepared by Smallcaps Investment Research, which owns and operates the website <http://www.smallcaps.us>. Smallcaps Investment Research is not a registered financial advisor, nor is it a stockbroker or investment advisor.

This publication is provided for information purposes only and is not intended to be an offer, or the solicitation of an offer, to buy or sell the securities referred to herein.

Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. Smallcaps Investment Research nor any of its employees shall be responsible for any investment decision.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. However, its accuracy and completeness is not guaranteed. All opinions, forecasts and estimates herein reflect the judgment of Smallcaps Investment Research on the date of this publication.

This Company Report may contain certain "forward-looking statements" within the meaning of applicable securities laws, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth, and (iii) other risks and uncertainties indicated from time to time in the Company's public filings.

Smallcaps Investment Research has been compensated by FANDOM SPORTS Media Corp. to develop and execute a communication plan to enhance the Company's exposure to the investor community.

Smallcaps Investment Research and/or its employees may hold positions in companies mentioned. However, it is prohibited for Smallcaps Investment Research and/or its employees to trade in financial instruments of companies one week prior to publication of the initial Company Report or a rating change until one week thereafter.

No part of this publication may be reproduced in any manner without the prior written consent of Smallcaps Investment Research. © 2003 - 2020 Smallcaps Investment Research.