



Mark Bunting
Publisher

COVER STORY

eSPORTS
STOCK IDEAS
LARGE AND
SMALL FROM
UBIKA ALPHA



MIAMI VICE: NEW
COVERAGE OF CLS
HOLDINGS USA GIVES IT
MINIMUM 92% UPSIDE



WHY SOUTHERN
ENERGY "TICKS ALL THE
BOXES" AND COULD
GAIN 85%



ECOSYNTHETIX IS
THREATENING A
MAJOR TECHNICAL
BREAKOUT



Playing for Profit in eSports

Ubika Alpha with an overview and ideas in the sector

Mark Bunting, publisher, Capital Ideas Media

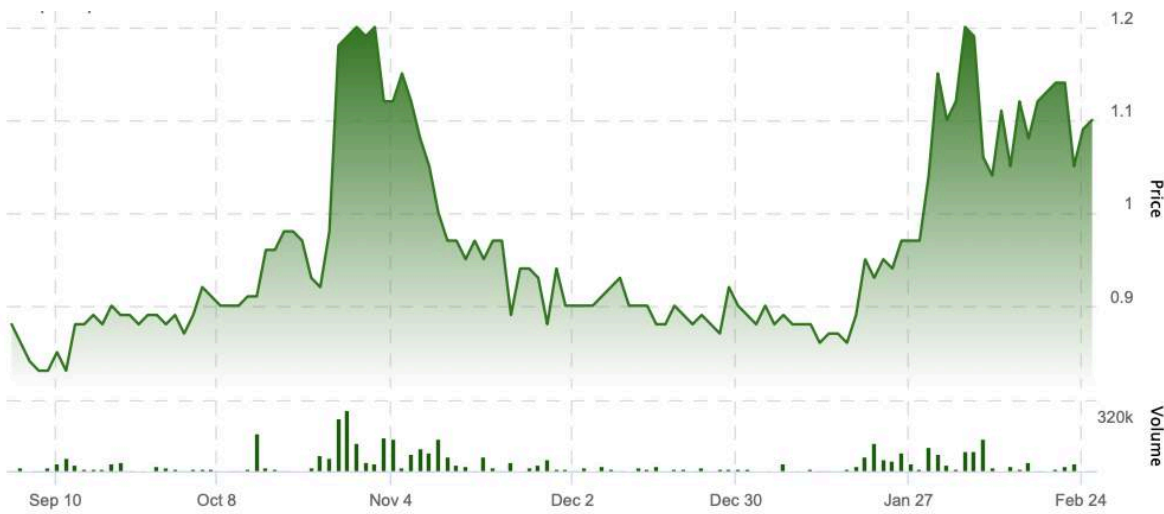
In our November 13, 2018 Capital Ideas Digest, we gave you a primer on the burgeoning eSports sector based on research reports from Haywood Securities and PI Financial.

The main stock idea was **Axion Ventures** (TSXV:AXV), a video game producer and partner of China's **Tencent Holdings** (OTC:TCEHY).

Axion's stock was trading around \$1 a share at the time and is currently sitting around \$1.10.

"The number of eSports enthusiasts worldwide is expected to reach 250 million in 2021, with an implied five-year compound annual growth rate (CAGR) of 14.4%...and industry revenue expected to reach \$1.7 billion by 2021, an implied five-year CAGR of 27.4%."

Alp Erdogan, Ubika Alpha



▶ **Axion Ventures (TSXV:AXV) | 6 month chart**

Today, we have research on the sector from analyst Alp Erdogan at independent research firm Ubika Alpha.

Erdogan gives an overview of the eSports wave, and mentions a few large cap and micro-cap names in the sector in the sector, which is seen by many as the next cannabis in terms of the potential for exponential growth.

Here are some excerpts from Ubika Alpha’s report:

eSports is defined as competitive, multiplayer gaming at a professional level between players and teams.

eSports is available to all, including the amateur competitive gaming participants; and individuals who compete in gaming leagues at a pro or amateur level.

According to Newzoo’s 2018 Global eSports Market Report, the number of eSports enthusiasts worldwide is expected to reach **250 million in 2021**, with an implied **five-year compound annual growth rate (CAGR) of 14.4%**.

Consolidated industry revenue is expected to reach **\$1.7 billion by 2021**, with an implied **five-year CAGR of 27.4%**.

Major players are entering the space.

Tech giants such as **Amazon** (NASDAQ:AMZN) and **Alphabet** (NASDAQ:GOOG) have seized opportunities in this burgeoning industry by acquiring and creating their own live eSports streaming sites.

In August 2014, **Amazon acquired Twitch**, a game-streaming service valued at \$970 million. This purchase was an investment to bolster Amazon Web Services (AWS), the company’s \$7 billion on-demand cloud computing platform.

Twitch features major eSports tournaments, with the majority of users streaming video game content from home.

Similarly, Google created a YouTube channel called **YouTube Gaming** to attract eSports enthusiasts and occasional viewers.

As the industry starts to mature, established global brands are tapping into the space.

Nike (NYSE:NKE) announced that Jian “Uzi” Zihao, a League of Legends star, will appear in an upcoming campaign alongside LeBron James.

With a significant increase in popularity in the last couple of years, celebrities and athletes alike are beginning to join the movement by launching their own companies or investing in the space.

Enthusiast Gaming Holdings (TSXV:EGLX, not rated) is a digital media company that engages in the developing and operating of online video gaming communities for users worldwide.

With a platform of over **80 gaming content websites**, and over **75 million monthly active users**, the company also owns the largest gaming exposition in Canada with an attendance exceeding 30,000 visitors.

Enthusiast has experienced significant acquisitive growth resulting in a tremendous increase in monthly visitors **from 2 million in 2015 to 75 million currently**.

The company reported revenue of \$2.8 million, a significant increase from \$0.66 million in 2017.

On January 7, the Enthusiast announced its definitive agreement with The Sims Resource (TSR), acquiring 100% of the assets, valued at \$20 million (U.S.).

▶ **Enthusiast Gaming (TSXV:EGLX) | 1 year chart**



“...Amazon acquired Twitch, a game-streaming service valued at \$970 million as an investment to bolster Amazon Web Services...Twitch features major eSports tournaments, with the majority of users streaming video game content from home.”



FANDOM SPORTS Media (CSE:FDM, not rated) is a sports entertainment and gaming company focused on finding and creating the best interactive sports content.

The company allows sports fans to unleash their primal sports passions by engaging with other fans, cheering for their favourite teams and jeering their opponents.

Last month, the company launched its platform at the Consumer Electronics Show (CES 2019), inviting a select few industry professionals in sports, e-sports, technology, and media.

The initial internal release of the global sports app was revealed to a select group of technology industry CES attendees as well as VIP sports fans to experiment new fan engagement concepts.

Management kicked off its go-to-market strategy for the global sports app.

Fandom Sports executives held first conversations with top management members of a professional hockey team, with the vision of introducing the FANDOM app to the team’s established fan base in a bid to spearhead the global launch during Q2/2019.

This development represents another key milestone in the company’s execution roadmap.

The Company’s eSports initiative is gaining further momentum.

“Fandom Sports executives held conversations with top management members of a professional hockey team, with the vision of introducing the Fandom app to the team’s established fan base in a bid to spearhead the global launch during Q2/2019.”

Fandom Sports continues to execute on its corporate strategy.

The Company’s 1-2-1 strategy is built on a secure Blockchain Platform. Two global apps with one Fancoin economy cater to super fans who can play with, or against, each another within an entertaining mobile application and, while doing so, are rewarded for their action.

Consequently, the end goal is to attract users to become invested as “players” to build their “Player Card,” while competing for rewards and prestige.

On a forward-looking basis, we see this as a recurring revenue generator attached with high margins for the Company, as this captivated global fan base is kept in the Fandom Sports ecosystem.

Fandom Sports Media (CSE:FDM) | 1 year chart



ePlay Digital Inc. (CSE:EPY, not rated) is a mobile game developer and publisher, which specializes in sports, eSports, and Augmented Reality (AR) titles, including their new AR title, Big Shot Basketball.

Big Shot is the first AR sports mobile game on the market and the company announced CES that the game will add a new AR version.

ePlay utilizes the company's Mobovio eSports Live Streaming and Game Engine to bring several game titles to the market for leading companies, such as **ESPN** (NYSE:DIS), **Sony**. (NYSE:SNE), and more.

ePlay Digital released its cloud-based, multi-tenancy enabled blockchain architecture.

▶ ePlay Digital Inc (CSE:EPY) | 1 year chart



Disclosure: Ubika Alpha and Capital Ideas Media are owned by Gravitas Financial.

INITIATIONS



Canaccord Genuity analyst Bobby Burleson initiated coverage of **CLS Holdings USA Inc.** (CSE:CLSH.U) with a “speculative buy” rating and a target price of \$1.50 per share, which suggests **305% upside**.

“CLS Holdings USA is a Miami based cannabis producer and retailer with planned operations in the legal recreational and medical Massachusetts and Nevada cannabis markets” Mr. Burleson added in his report.

“Upon closing key acquisitions, we believe CLS Holdings will be positioned to capitalize on growing demand for legal cannabis in the U.S. through vertical operation including production and dispensaries.”

“CLSH is exposed to what we estimate to will be a combined \$1.1 billion retail market in 2019. We see the company’s current valuation emphasizes the need to raise additional capital as it’s currently trading at 1.1 times EV/EBITDA compared to 9.9 times for peers.”

“Given the need to raise money, our share issuance assumption utilizes an \$0.80 price and anticipates 54% dilution. If we assume share issuance at the current price, our valuation **still yields a 92% upside target**, a significant premium.”



Haywood Securities analyst Darrell Bishop initiated coverage of **Southern Energy Corp.** (TSXV:SOU) with a “buy” rating and a target price of \$0.25 per share which suggests 85% upside.

Southern Energy is a Calgary-based oil and natural gas exploration and production company which focuses on the Southeastern United States.

“Southern Energy is ticking the boxes for energy investors amid uncertain times” Mr. Bishop added in his note.

“As a U.S. pure play natural gas with impactful near-term catalysts, we believe that SOU is worthy of investors’ attention today especially when considering the anticipated growth in natural gas demand over the next 3-4 years.”

“With most companies focused on developing/holding land in the pricey U.S. shale basins, while trying to live within cash flow below US\$55/b WTI, non-core conventional assets are ripe for consolidation by players like Southern Energy.”

“Southern Energy can effectively grow production and create a meaningful gas reserve base that would be an attractive take-over candidate for a larger natural gas producer or an LNG company pursuing feedstock gas.”

ANALYTICS
DASHBOARD



Upgrades

- ▶ **Pinnacle Renewable Energy Inc. (TSX:PL)** has been upgraded to "outperform" from "sector perform" by National Bank Financial analyst Rupert Merer. He has lifted his target price to \$15.50 from \$13.50 suggesting 45% upside.
- ▶ **Osisko Gold Royalties Ltd. (TSX:OR)** has been upgraded to "outperform" from "market perform" by BMO Nesbitt Burns analyst Andrew Kaip. He has increased his target price to \$17 per share from \$13.



Downgrades

- ▶ **Finning International Inc. (TSX:FTT)** has been downgraded to "hold" from "buy" by TD Securities analyst Cherilyn Radbourne. She has lowered her target price to \$28 from \$31.
- ▶ **Altus Group Ltd. (TSX:AIF)** has been downgraded to "underperformer" from "neutral" by CIBC World Markets analyst Stephanie Price. She has cut her price target to \$23 from \$30.
- ▶ **Hydro One Ltd. (TSX:H)** has been downgraded to "underperform" from "sector perform" by National Bank Financial analyst Patrick Kenny. He has slashed his target price to \$19 per share from \$23.
- ▶ **Greenspace Brands Inc. (TSXV:JTR)** has been downgraded to "outperform" from "strong buy" by Raymond James analyst Kenric Tyghe. He has lowered his target price to \$0.75 from \$1.00.



SPEAKING by Dwight Galusha

setyourstop.com

EcoSynthetix (TSX:ECO) spent two plus years consolidating in a bullish descending wedge pattern. Near the end of 2018 price action broke out to the upside from this pattern followed by a retest of the breakout in the form of a bull flag.

Now price action is pushing higher from the bull flag and is **threatening a major breakout** that would cause upside momentum to accelerate. The momentum indicator (PPO) is giving a bullish signal as it crosses higher at the zero line while the full stochastic indicator attempts to cross above 50 (which is another bullish signal).

The accumulation line is also surging higher suggesting the path of least resistance is to the upside. The volume profile is also textbook for an upside surge as volume should expand on the initial sharp advance, contract during consolidation of the pattern and expand right after the breakout of upper trend-line resistance.

The final signal and TSX confirmation (completion of the pattern) will come on a breakout above \$2.12.

