

# SportsHero

27 July 2022

## Quarterly Activities Report for the quarter ended 30 June 2022

### Highlights

- Significant progress with our China strategy, in the largest esports gaming market in the world
- Launch of initial Chinese esports prediction platform on Wechat and Logitech secured as first commercial sponsor
- SportsHero to operate and co-brand an initial esports tournament platform in partnership with Wuhan Esports Association (the 2<sup>nd</sup> largest esports association in China), which is on schedule for its Chinese launch in early August
- First Chinese commercial agreement executed with Wuhan Monster Technology Co Ltd, which facilitates the generation of revenue in China in partnership with the Wuhan Esports Association
- Australian distribution partner agreement executed with leading global branded payments provider, Blackhawk Network

### Fast tracking of Chinese esports strategy

Throughout the quarter, the SportsHero team has delivered by securing key Chinese partnerships, which are expected to facilitate the commercialisation of our bespoke prediction competitions within the largest esports gaming market in the world.

### Prediction platform launched on Wechat

On 16 May 2022, SportsHero announced the Chinese launch of its initial esports prediction offering on Wechat and the execution of an exclusive 1 year Memorandum of Co-operation with the 2<sup>nd</sup> largest gaming association in China, the Wuhan Esports Association (**WEA**). WEA is the official governing body of esports in the region and is funded and supported by the Chinese government.

SportsHero's Chinese esports platform will allow users to interact and engage within their communities by competing in prediction competitions in both amateur and professional tournaments.

On 7 July 2022, SportsHero announced that Logitech (China) Technology Co Ltd had agreed to be our first commercial sponsor. The initial sponsorship provided comprises Logitech products (including some limited edition gaming products) to the value of US\$15,000 that will be offered as prizes to competition winners.

Wechat is amongst the world's most popular apps with over 1 billion monthly active users<sup>1</sup> and it is expected that scaling will be efficiently and quickly achieved as users are able to share links to all their contacts to participate in tournaments. Being embedded within the Wechat ecosystem allows SportsHero to rapidly scale user growth, as it removes the need to download an additional app.

SportsHero's proprietary artificial intelligence prediction platform is proving itself to be an attractive offering for partnerships as it gives potential partners an immediate ability to activate, engage and monetise the digital communities they have created.

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# SportsHero



As a result of the Chinese launch of SportsHero's initial platform, WEA are partnering with SportsHero to develop an esports tournament management platform for all participant registration and community engagement for the esports leagues within their association. We are very pleased to advise that this co-branded esports tournament management platform is scheduled for its Chinese launch in early August.

## **Wuhan Esports Association**

Wuhan Esports Association is one of the largest and most developed gaming associations in China and is only second to the national body, the Chinese Esports Association. WEA hosts multiple official esports tournaments and events annually across multiple gaming titles and over the years has developed significant resources, capacity and capability. WEA owns and operates the official Wuhan Universities Esports Games, an annual competitive esports event that hosts semi-professional teams from 64 universities with in excess of 2,000 teams and over 10,000 players competing in ~5,000 matches a year that are broadcast live to millions of viewers<sup>2</sup>.

Over the years, WEA has developed significant omnichannel media exposure that encompasses traditional media as well including news and articles, television, outdoor advertising and livestreaming across all the major gaming platforms being Douyu, Huya and Billibilli, with a total audience reach estimated at over 30 million viewers<sup>2</sup>.

WEA's wholly owned media channels include the official Wechat account, the official Douyin account (Tik Tok), the official Kuai Shou account as well as all the official social media pages account. Total media audience reach is estimated at over 30 million people<sup>2</sup>.

## **First Chinese commercial agreement - Wuhan Monster Technology Co Ltd**

On 30 May 2022, the Company announced the execution of a 3 year legally binding terms sheet (**Terms Sheet**) with Wuhan Monster Technology Co Ltd (**WMT**), the commercial and operating arm of the Wuhan Esports Association.

As a result of the early August Chinese launch of the co-branded SportsHero/Wuhan Esports Association esports tournament management platform, WMT will commence their promotion and marketing of the platform in accordance with the Terms Sheet.

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Pursuant to the Terms Sheet, SportsHero's app (including its artificial intelligence prediction competitions) will be promoted on WeChat to all of WMT's leagues, teams registered gamers and their existing and potential corporate and commercial partners within the city of Wuhan and the greater Hubei region.

The parties have agreed that all revenue generated from all sources, including but not limited to memberships, subscriptions, advertising, sponsorship and ecommerce will be distributed on 50/50 basis.

## **Commercial obligations**

As set out in the Terms Sheet, SportsHero will:

- develop and operate its Chinese app and predictions competitions on WeChat for WMT
- identify and engage influencers, marketing agencies and other marketing opportunities, including sponsors and corporate partners
- collaborate on the design, development, maintenance, upgraded and redevelopment of predictions competitions and the user facing product for use by WMT
- provide relevant tournament and registration management technology, including artificial intelligence predictors for esports on WeChat
- use reasonable endeavours to introduce and deliver advertising and sponsorship opportunities for the prediction competitions

As set out in the Terms Sheet, WMT will:

- promote, engage and activate all their leagues, teams, registered gamers and promote SportsHero's app amongst all existing and potential corporate and commercial partners
- use reasonable endeavours to introduce and deliver advertising and sponsorship opportunities for the prediction competitions
- provide input and recommendations on relevant tournaments, registration, structure, timetable, game titles and administration and operations with clear functionality and user interface requirements suitable for the Chinese esports market

## **China Market Update**

SportsHero is positioned to benefit from the current gaming market in China, which continues to rapidly grow with recent studies showing that China now accounts for a third of global esports revenue<sup>3</sup>.

Significant contributing factors, such as the upcoming hosting of the Asian esports games in China and the recent crowning of a Chinese esports team as the world League of Legends champions has continued to fuel mass adoption and interest in gaming and esports in China.

The continued Chinese COVID lockdowns has created a very conducive ecosystem for SportsHero's China strategy.

## **Blackhawk Network - Distribution Partner Agreement**

On 7 June 2022, SportsHero announced that its wholly owned Australian subsidiary, EsportsHero Pty Ltd (**EsportsHero**), had executed a 5 year Australian Distribution Partner Agreement (**Agreement**) with Blackhawk Network (Australia) Pty Ltd (**Blackhawk**).

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Blackhawk is the Australian arm of the very successful Californian based global leader of commerce solutions, Blackhawk Network Holdings Inc.

Blackhawk Network is a global leader in branded payments and e-commerce solutions, with gift card distribution agreements in place with many of the largest gaming brands in the world. Through the Blackhawk Agreement (for which no cash consideration is to be paid), EsportsHero will earn commissions from the sale of a curated range of digital gaming gift cards (e-gift cards), including but not limited to Sony PlayStation digital gaming products.

As part of Blackhawk Network's service to their card partners, the business identifies key distribution channels to market, promote and sell their products to a targeted consumer segment.

EsportsHero users will be able to purchase authorised e-gift cards for their preferred gaming brands to redeem online in their gaming accounts specific to the e-gift cards purchased, including the purchase of digital copies of Sony PlayStation games.

The cash stored value cards, will be available to only EsportsHero users located within Australia.

## **Indonesian update**

### ***OlahBola Ellevate***

On 6 July 2022, SportsHero announced the formation of a partnership with Indonesia's premier junior football leagues.

Pursuant to that partnership, SportsHero, the UK based Footie Group Ltd (owners of the world leading football talent scouting app, Ellevate Football) and PT Top Skor (**Top Skor**), who are the owners and operators of youth football leagues throughout Indonesia (**Liga Top Skor**), agreed to sponsor the 2022-2023 Liga Top Skor.

In consideration for the sponsorship, Top Skor agreed to actively promote SportsHero's OlahBola Ellevate Football platform (**OlahBola Ellevate**) to their youth football players, clubs and leagues across Indonesia.

OlahBola Ellevate is a subscription revenue product that is fully integrated into SportsHero's OlahBola app and allows aspiring amateur footballers to showcase their skills to scouts from leading football clubs worldwide.

### ***PSSI***

On 1 August 2019, SportsHero announced that it had entered into an updated and expanded 3 year partnership agreement with the Football Association of Indonesia (**PSSI**).

Given that SportsHero's focus has shifted to the development and promotion of Indonesia's youth players and youth football leagues, SportsHero confirms that it will not be seeking to extend the PSSI partnership beyond the initial 3 year term. No exit costs (for either party) are applicable.

## **CASH AND EXPENDITURE (A\$'000)**

Net cash used in operating activities for Q4 FY21/22 totaled \$611k, which included the following:

- Esports operating & development costs \$171k
- OlahBola operating & development costs, staff costs and promotion & marketing \$46k

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- OlahBola content and software services \$22k
- Esports predictor consultancy fees \$30k
- Ellevate promotion & marketing, staff costs and development costs \$35k
- Esports promotion & marketing and staff costs \$134k
- corporate costs, staff costs, administration, professional and legal expenses \$102k
- corporate promotion & marketing \$71k

Cash at bank as at 30 June 2022 totaled \$2.56m.

During Q4 FY21/22 a total of \$87k was paid to related parties of the Company as follows:

- \$55k for the provision of full-time services by a director
- \$18.5k for director fees paid to non-executive directors
- \$12k for the provision of services by a non-executive director
- \$1.5k to a non-executive director for office rent

## **Authorised for release by the Board**

**Michael Higginson**  
**Director/Company Secretary**

**Telephone: +61 42 999 5000**

<sup>1</sup> [statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/](https://www.statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/)

<sup>2</sup> Taken from Wuhan Esports Association presentation deck, 11 April 2022

<sup>3</sup> [asiasponsorshipnews.com/china-third-of-esports-revenue/](https://asiasponsorshipnews.com/china-third-of-esports-revenue/)

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