

FEBRUARY 2021



ROUNDHILL
INVESTMENTS

**GAMING &
PUBLIC MARKETS**



DISCLAIMER

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Investing involves risk, including possible loss of principal. Esports gaming companies face intense competition, both domestically and internationally, may have products that face rapid obsolescence, and are heavily dependent on the protection of patent and intellectual property rights. Such factors may adversely affect the profitability and value of video gaming companies. Investments made in small and mid-capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. Fund investments will be concentrated in an industry or group of industries, and the value of Fund shares may risk and fall more than diversified funds. Foreign investing involves social and political instability, market illiquidity, exchange-rate fluctuation, high volatility and limited regulation risks. Emerging markets involve different and greater risks, as they are smaller, less liquid and more volatile than more developed countries. Depository Receipts involve risks similar to those associated investments in foreign securities, but may not provide a return that corresponds precisely with that of the underlying shares. Please see the prospectus for details of these and other risks.

Roundhill Financial Inc. serves as the investment advisor. The Funds are distributed by Foreside Fund Services, LLC which is not affiliated with Roundhill Financial Inc., U.S. Bank, or any of their affiliates.

ABOUT ROUNDHILL INVESTMENTS

- SEC-registered investment advisor formed in 2019; focused on thematic ETFs
- \$700 million in assets under management
- Exchange-traded funds
 - **NERD** Esports — \$140 million
 - **BETZ** Sports Betting — \$450 million
 - **SUBZ** Streaming — \$50 million
- Expansion beyond ETFs
- Seed round (May 2019) by BITKRAFT

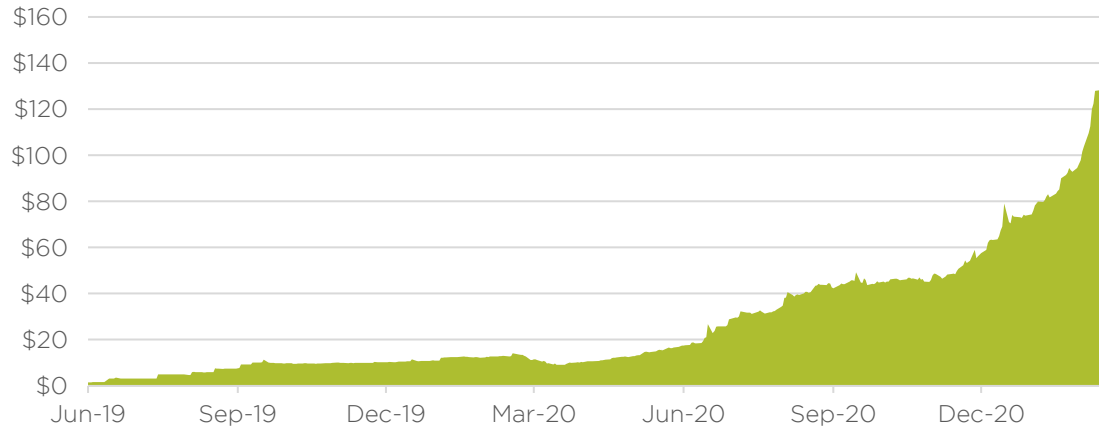


NYSE OPENING BELL-RINGING CEREMONY, JULY 2019

ROUNDHILL BITKRAFT ESPORTS & DIGITAL ENTERTAINMENT ETF

NYSE: NERD

NERD Assets Under Management (\$mm)



NERD ETF Price



The Roundhill BITKRAFT Esports & Digital Entertainment ETF (“*NERD ETF*”) tracks the Roundhill BITKRAFT Esports Index, the first rules-based index designed to track the performance of the growing market of electronic sports, or “esports”.

The Index consists of a tiered-weighted portfolio of globally-listed companies who are actively involved in the competitive gaming industry.

Top Holdings: **Huya, Douyu, Tencent, Modern Times Group, Activision Blizzard, AfreecaTV**

Thematic Exposures: Games, Media, Hardware

DATA AS OF FEBRUARY 2021

GAMING IN 2020

In 2020, **existing trends accelerated** due to COVID-19 and “stay-at-home”:

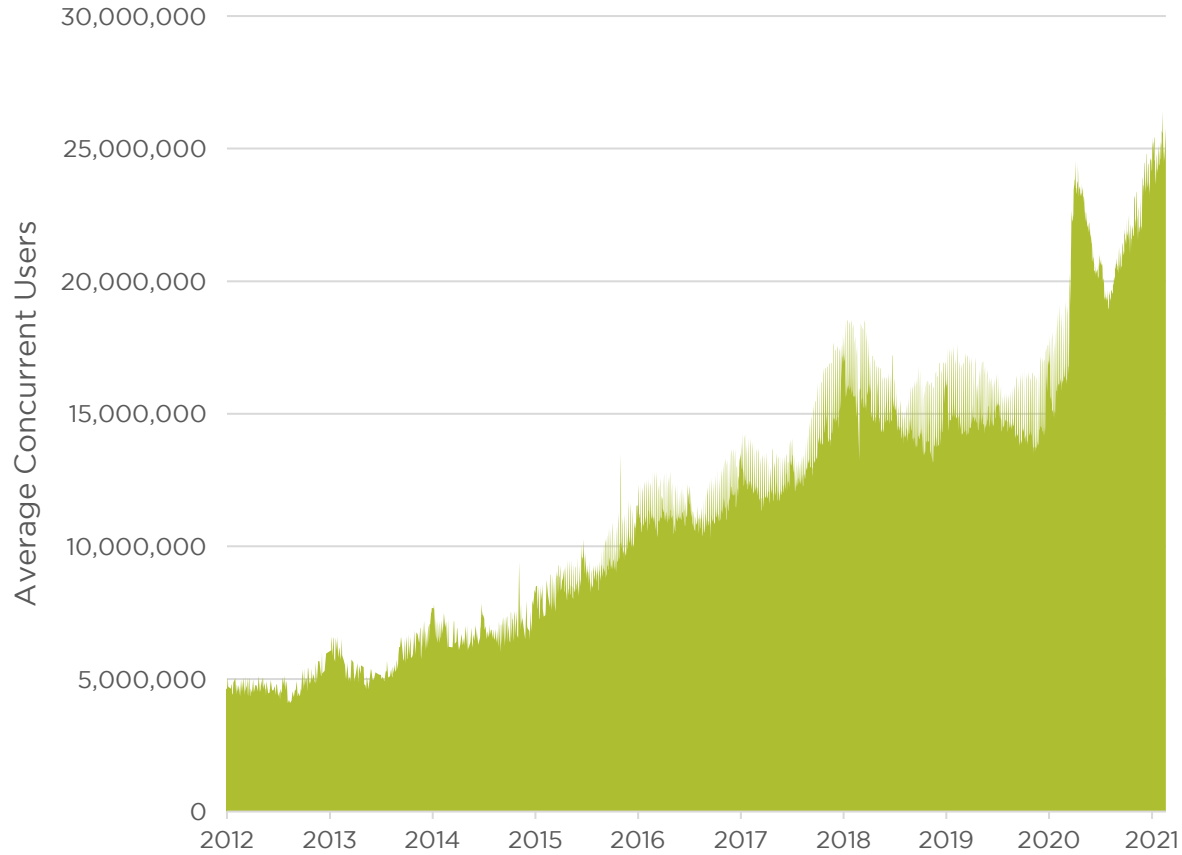
- Games as social platforms
- Esports and livestreaming
- Digital distribution
- Mobile gaming

For the year, we saw **all-time highs in terms of gaming engagement** at both the first person (playing time) and third person levels (viewing time).

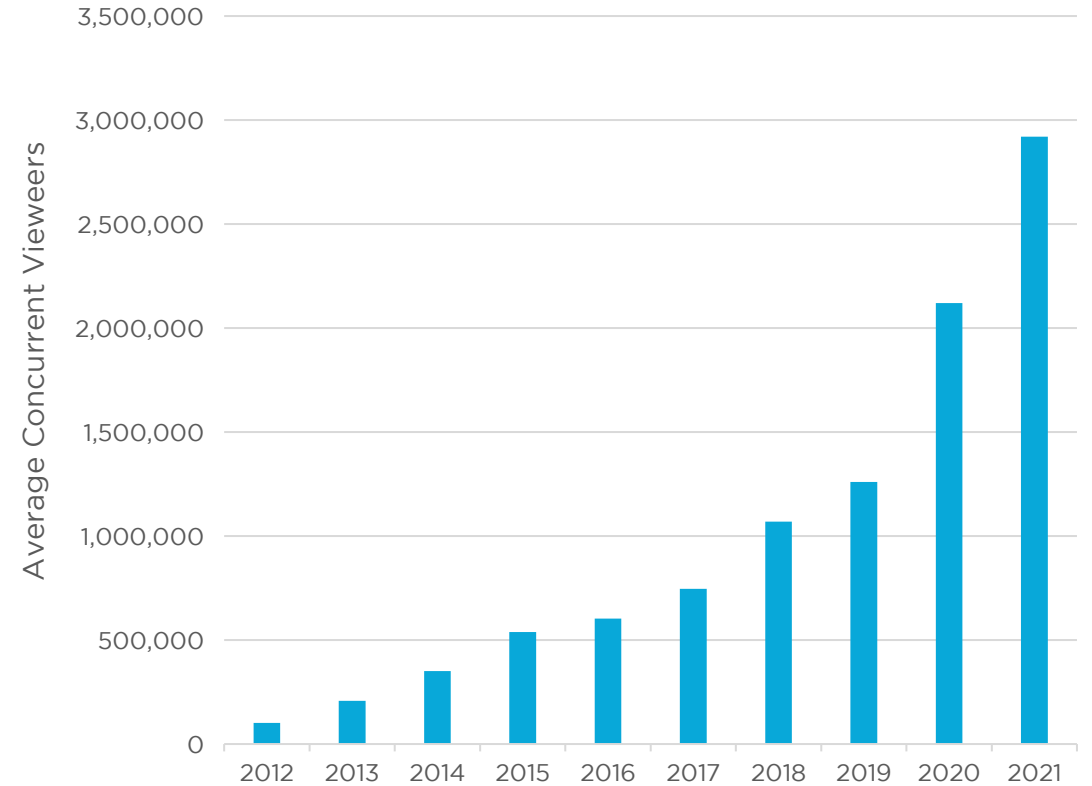
This translated in **all-time highs in terms of both revenues and profitability.**

USER GROWTH HAS ACCELERATED

Steam User Growth Since 2012



Twitch Viewer Growth Since 2012





GAMING TRENDS
IN
**IN PUBLIC
MARKETS**

GAAS DRIVING MARGIN EXPANSION

What is Games-as-a-Service?

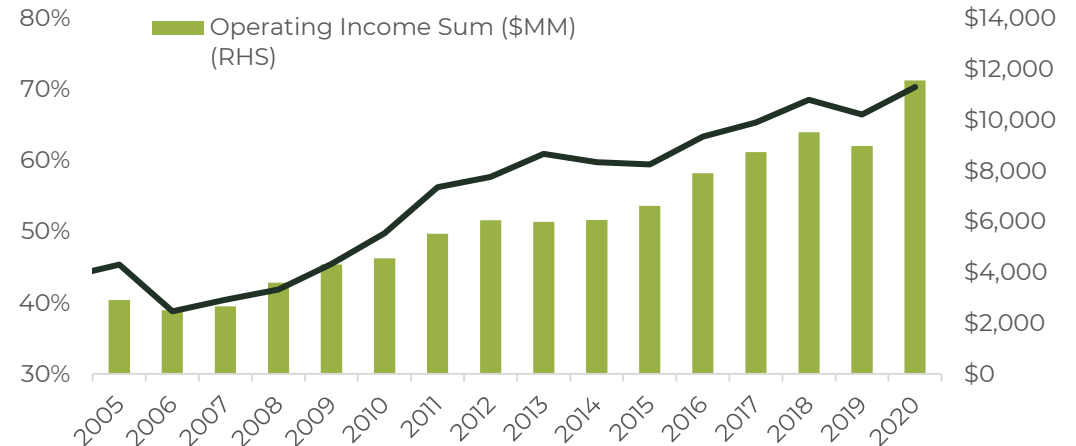
- Free-to-play
- In-game monetization
- Digital Downloads
- Cross-console

The adoption of GaaS has resulted in higher margins, improved game longevity, and larger player bases. This has **translated into multiple expansion** for game developers.

EV/EBITDA Multiples – Game Publishers

	EA	Ubisoft	Activision	Take-Two	Average
2016	19.3	6.5	11.1	22.9	14.9
2017	20.6	11.1	19.0	32.5	20.8
2018	12.4	11.1	11.4	36.7	17.9
2019	23.6	10.4	19.2	26.1	19.8
2020	22.3	18.0	20.6	31.9	23.2

Profitability Growth – Game Publishers



IPO VALUATIONS ARE ROBUST

Several gaming companies began life as public companies in 2020, or plan to in 2021. This includes **traditional IPOs, SPACs** and a **direct listing**.

Across the board, **valuations are robust**. The **market is as receptive as ever** to the secular growth story underpinning the gaming industry.

Ticker	Name	Subsector	Listing	Market Cap	FY P/S	Return ITD
U	Unity Software Inc	Game engine	IPO	\$32,272	24.7	107.8%
RBLX	ROBLOX Corp	Game platform	Direct Listing	\$29,500	TBD	TBD
SKLZ	Skillz Inc	Game platform	SPAC	\$12,431	34.4	179.0%
293490 KS	Kakao Games	Games	IPO	\$3,563	4.3	118.3%
CRSR	Corsair Gaming	Hardware	IPO	\$3,818	2.1	119.0%

M&A — CONSOLIDATION CONTINUES

M&A in the gaming sector accelerated in the second half of 2020. We expect this to continue throughout 2021 as companies face an uphill battle in year-over-year growth comps.

- Big tech – Microsoft, Tencent
- Consolidators – Embracer, MTG, Stillfront
- AAA Publishers – EA, Take-Two, Activision

Selected 2020 M&A Activity

Acquirer	Target	Deal Amount (\$mm)
Microsoft	Bethesda	\$7,500
Huya	Douyu	\$6,000
Zynga	Peak	\$1,800
Embracer	Gearbox	\$1,300
EA	Codemasters	\$1,200

Tencent 腾讯

Microsoft

EMBRACER+
GROUP

EA™

T2™
TAKE-TWO
INTERACTIVE

EXPANSION BEYOND GAMES & TAM

In the public markets, companies like Garena (Sea) and Razer are leveraging a young, engaged userbase to **expand from gaming into other verticals and increase TAM.**



**\$129 billion
market cap**



**\$3.4 billion
market cap**



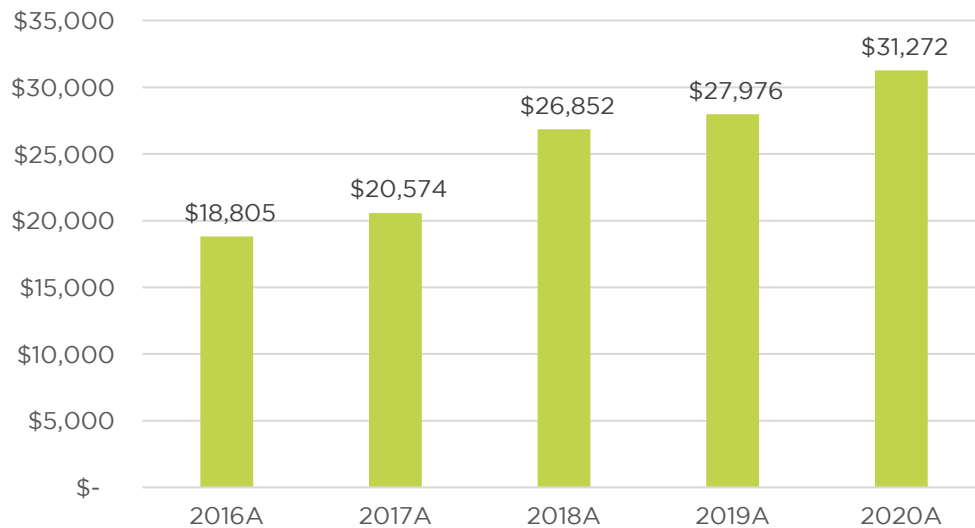
**\$32 billion
market cap**

In the private markets, Epic Games and Discord are **also expanding beyond games.**

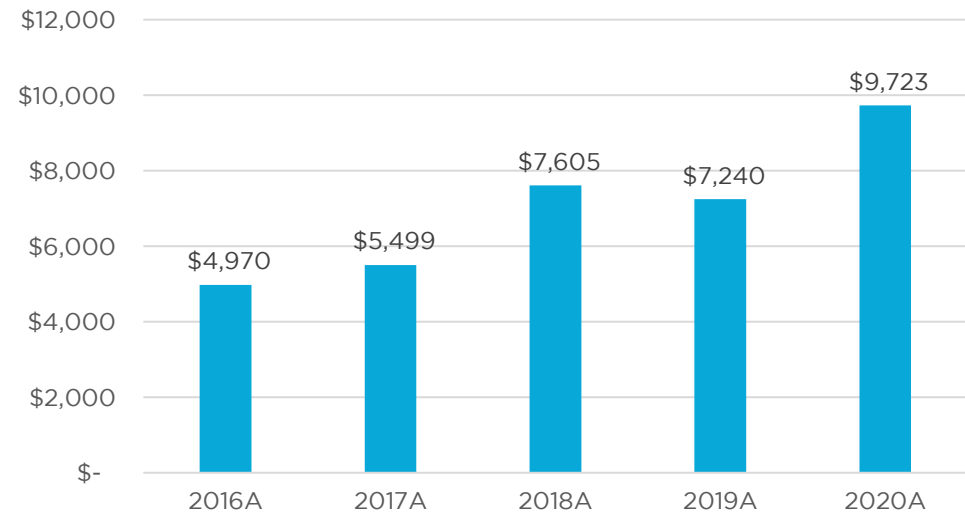
PROFITABILITY GROWTH

The expansion witnessed in 2020 has made 2021 a difficult year in terms of slowing growth. However, the **long-term secular growth story remains as strong as ever**. We expect long-term growth to have been shifted higher for the intermediate term due to accelerated user adoption.

Total Revenue Growth (\$mm)



EBITDA (\$mm)



DATA INCLUDES EA, TAKE-TWO, ACTIVISION BLIZZARD, NINTENDO, AND CAPCOM

GROWTH DRIVERS FOR THE DECADE

- Mobile gaming & cloud gaming
- Esports into the mainstream
- Gen Z and Millennial preferences
- Emerging markets



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THANK YOU