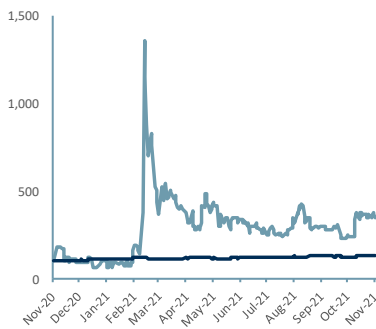


# INITIATION

## VALUE RANGE

USD 0.61 – 0.65



LTES (lighter line) vs. Nasdaq Composite.

### Tuesday, 09 November 2021

Intrinsic Price (\$)	0.63
Value Range Low (\$)	0.61
Value Range High (\$)	0.65
Implied MCAP (m)	\$96.44
Implied EV (m)	\$96.46
OTCQB	LTES
Financial YE	31-Dec
Currency	USD

#### Business Activity

Egaming / esports

#### Key Metrics

Close Price (\$)	0.28
MCAP (m)	\$42.77
Net Debt (Cash) (m)	-\$0.02
EV (m)	\$42.75
52 Wk Hi	\$1.20
52 Wk Lo	\$0.04

#### Key Ratios

(Net Cash) / Shareholder Equity %	-0.05%
-----------------------------------	--------

#### Egaming Sector Research

##### OTCQB Market Index

##### Analyst Team

##### ACF Egaming Team

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## Leet Technology Inc.

### B2B Competitive Esports/Gaming Platform

Leet Technology Inc. (OTCQB : LTES) is a US listed, Malaysia-based esports technology platform provider, primarily targeting B2B ICT and OTT operators (White Label), and also leading brands (via Matchroom), to leverage revenues from the rapidly growing Southeast Asian (SEA) egaming and esports market. LTES caters to a mass casual gaming audience by partnering with leading regional ICT and OTT providers - a key strategic and competitive advantage, that allows LTES to enter new markets and scale-up subscriber acquisition faster. Subscriber acquisition costs (SACs) are paid by the ICT or OTT partners; revenues are shared with LTES. The ICTs and OTTs gain revenue via gaming activity, merchandise, and increased data usage. Brands gain exposure.

- SEA is the first target for LTES' esports / egaming platform;
- SEA egaming market value YE20A \$4.3bn - strong growth expected;
- Leading ICT and OTT providers in SEA already use the LTES platform;
- Matchroom, LTES' flagship platform, is an end-to-end provider.

ACF est. \$ (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2022E	6.6	1.3	0.8	0.01	0.01
2023E	12.3	3.1	2.6	0.02	0.02
Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2022E	6.4x	13.9x	51.8x	44.1x	44.4x
2023E	3.5x	13.9x	16.6x	17.6x	17.7x

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	153	153
Implied Intrinsic Price	0.63	0.63
Value Range Low	0.61	0.61
Value Range High	0.65	0.65
OTC	LTES	
Financial YE	31-Dec	
Reporting Currency	USD	
NoSh (m)		153
NoSh (m) expected dilution (Exp D)		153
NoSh (m) full dilution (FD)		153
<b>Key Metrics</b>	<b>\$</b>	<b>adj.</b>
MCAP (m)	42.8	42.8
Net Debt (Cash) (m)	(0.0)	(0.0)
EV (m)	42.8	42.8
52 Wk Hi	1.20	1.20
52 Wk Lo	0.04	0.04
Free Float	22.5%	22.5%
<b>*Key Metrics FCF adj.</b>	<b>2022E</b>	<b>2023E</b>
CPS (C\$)	0.01	0.02
CPS (Exp D) (C\$)	0.01	0.02
CPS (FD) (C\$)	0.01	0.02
P/CPS	51.8x	16.63
P/CPS (Exp D)	51.8x	16.63
P/CPS (FD)	51.8x	16.63

*Our number of shares in issue (NoSh) of 152,899,640 captures shares issued since 2Q21 as part of Leet's employee compensation scheme and commercial transactions. Our NoSh is publicly available on the OTC Markets website.*

## Investment Case

**Leading esports technology platform** - Leet primarily offers white label end-to-end solutions (E2ES) to **ICTs** (Telcos), **OTTs** and to a lesser extent, **brands** as event sponsors. Leet's business model is primarily B2B revenue sharing.

**Value-add to Leet clients** - With Leet's E2ES technology solutions, ICT and OTT providers can host egaming tournaments on their own-branded platforms. These partnerships extend LTES' reach and enable it to scale-up subscriber acquisition / conversion via revenue sharing agreements with the ICTs and OTTs.

The advantages of Leet's E2ES offering to ICTs and OTTs include increased data usage (revenues), reduced subscriber (subs) churn, potentially to reduce subs retention costs (SRCs), access to casual and hyper casual esports / egaming communities and attracting or developing new revenue streams such as brand sponsorship revenues and creating merchandising opportunities. We infer that LTES is well positioned to capitalize on competitive egaming demand growth.

**Direct carrier billing (DCB) subscription platform** – ICT and OTT partnerships also allow LTES to bill its subscribers directly for use of LTES' product offerings, such as LTES' tournament pass. The LTES DCB platform lowers inertia and is likely to accelerate LTES revenue growth during YE22E.

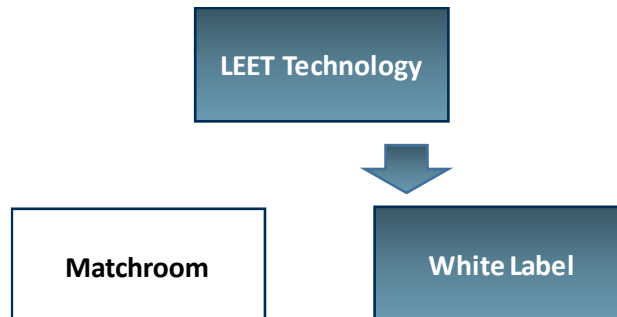
**Market opportunity - Egaming market established and revenue growing at >10% p.a. Egaming in SEA and India may grow at >20% CAGR to 24E:** The SEA egaming market is one of the fastest growing markets globally with a forecast 3-yr CAGR to 2024E of 20.4%, according to Tencent. In YE19A the SEA egaming market was valued by market observers at **over US\$ 4bn**. The mobile egaming segment sub-sector offers a particularly attractive growth opportunity; we estimate annual ARPU at US\$ 55 p.a. and likely to exceed US\$ 70 p.a. by YE24E.

## Catalysts

Uplift to OTCQB venture market; execution of Lincoln Park Capital Fund US\$ 15m purchase agreement (equity fund raise); growth of existing subscriber bases; signing new partnerships with mobile operators; entry into new geographies.

## Operational Strategy – White Label (B2B)

Exhibit 1: Leet has two verticals – vertical 1, White Label



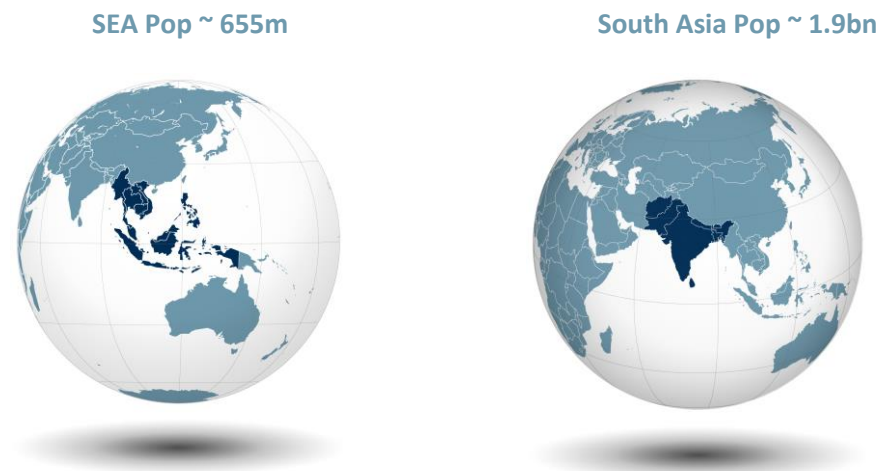
Source: ACF Equity Research Graphics, Company reports

Leet Technology Inc., (OTCQB : LTES), is targeting the fast-growing Southeast Asian (SEA) and South Asian egaming market with an esports and arcade gaming focus.

SEA is composed of countries south of China, south-east of the Indian subcontinent and north-west of Australia. The territories of SEA are Cambodia, Laos, Malaysia, Myanmar, Thailand, Vietnam and the Malay Archipelago (Andaman and Nicobar Islands), Brunei, East Malaysia, East Timor, Indonesia, the Philippines, and Singapore.

South Asia extends to the Indian Ocean to the south and the Himalaya, Karokoram and Pamir mountains to the north. South Asia is composed of Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka and the Maldives.

Exhibit 2: Leet Technology primary regional target markets



Source: ACF Equity Research Graphics, Wikimedia    Source: ACF Equity Research Graphics, Wikimedia

*Paytm is a partial abbreviation for “pay through mobile”. It is India’s leading financial services company specialising in digital payments and e-commerce.*

*Paytm payments are facilitated through the use of the Paytm QR code scanned via the mobile Paytm app.*

*Paytm IPO price and raise - last week Paytm raised Rs 82.35bn rupees (\$1.1bn) from 74 anchor investors.*

*Leet provides a single technology platform delivering multiple solutions for the gaming and esports markets along two verticals.*

Leet’s geographical reach could expand and deepen significantly with its Paytm First Games (Paytm Group) partnership via MENA entry and greater South Asia penetration. For Leets current addressable population via its partnerships see **exhibit 6** below.

**Exhibit 3: Paytm First Games addressable populations**

MENA region	Pop est. (m)	Year of estimate	South Asia region	Pop est. (m)	Year of estimate
Tunisia	12	2021	India	1,398	2021
Algeria	45	2021	Pakistan	227	2021
Morocco	37	2021	Bangladesh	167	2021
Libya	7	2021	Sri Lanka	22	2021
Egypt	105	2021			
<b>Total</b>	<b>206</b>		<b>Total</b>	<b>1,813</b>	

Source: ACF Equity Research Graphics; worldometers.info

Leet Technology Inc (OTCQB : LTES) is a white label (B2B) esports technology company using a revenue sharing model.

**White label solutions** (ICT and OTT) - Leet offers white label solutions to ICT (telcos) and OTT (Over-the-Top) companies in Southeast Asia to increase user engagement, reduce subscriber retention costs (SRCs) and to create new revenue streams.

**Esports platform** - Leet’s technology platform allows ICT and OTT clients to host own-branded gaming tournaments.

**Ecommerce mall platform** - Leet also provides a white label ecommerce mall platform to ICTs and OTTs. The ecommerce platform currently specialises in the sale of esports equipment and games.

**Revenue sharing partnerships with ICT and OTT providers** – Leet’s white-label gaming platform offering for telecom and OTT providers is one of its key competitive advantages. Leet receives a portion of the revenues its white label platform generates for its ICT and OTT partners. Leet provides the back end gaming infrastructure to enable ICT providers and OTT companies to host their own esports tournaments. Leet also offers social media and influencer marketing support to co-promote esports tournaments with mobile carriers. Leet’s white label infrastructure and support enhances ICT providers and OTT companies’ competitive advantage in three ways:

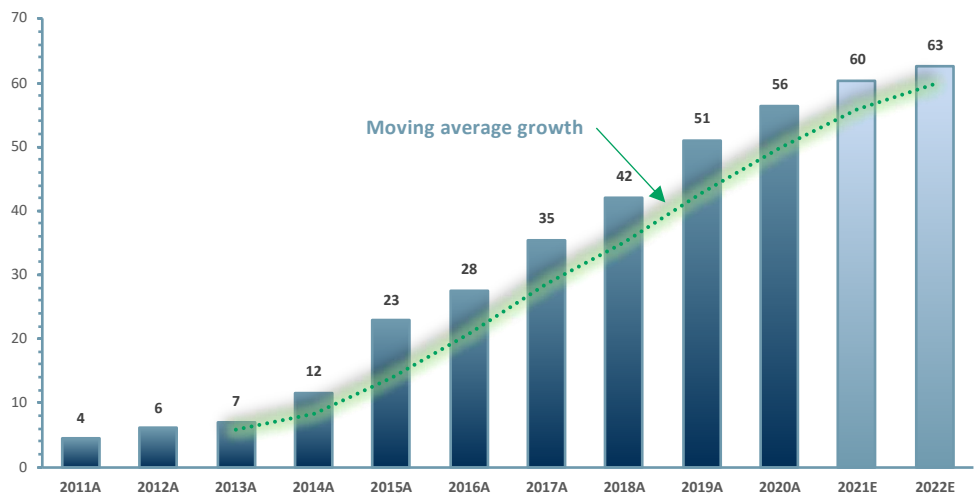
- **Data** - increases data usage;
- **Subs** – reduces subscriber retention costs (SRC);
- **Revenue growth** - new revenue streams for ICTs and OTTs from subscribers.

Data from GlobalWebindex and Strive suggest that in Asia, 33% of the mobile internet market is gamers only – suggesting an SEA ex China esports market of ~US\$ 3.5bn.

We estimate the white label market potential for esports in Asia is US\$ 10.6bn 2022E, of which approximately 90% is in China. We infer, conservatively, that Leet’s current target market (SEA less China) will have a value of US\$ 1.1bn by the end of 2022E and that this market is growing rapidly.

Exhibit 4: Growth of Asian mobile gaming content market to 2022E

Mobile gaming content market Asia US\$ bn

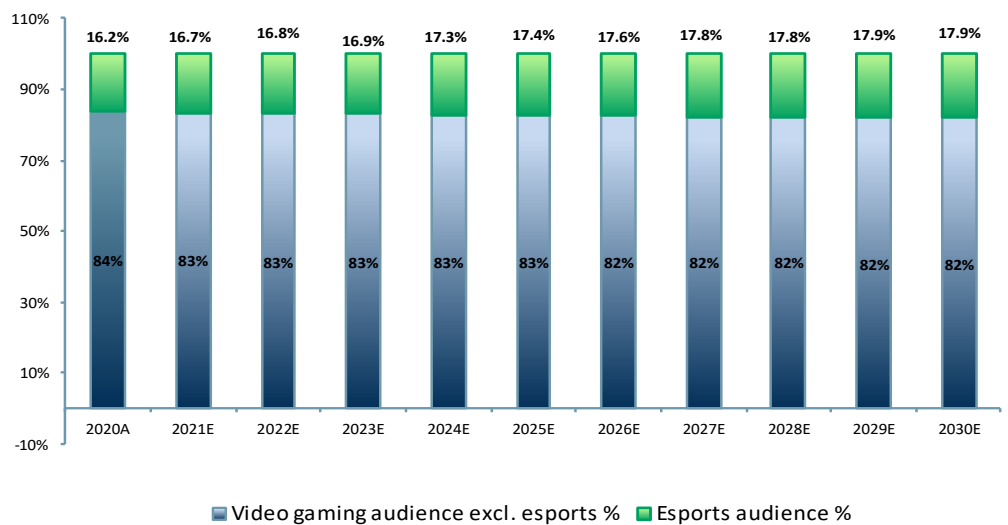


For the growth of the Asian mobile gaming content market our 10 yr CAGR 2012A to 2022E is 26.51%.

We use a 3-yr moving average growth line in exhibit 4 to represent the development of the Asian mobile gaming content market to 2022E.

Source: ACF Equity Research Estimates; Capcom; International Development Group

Exhibit 5: Esports as % of global video gaming market to 2030E



Source: ACF Equity Research Estimates

**Direct carrier billing (DCB)** – LTES’ ICT (telco) partnerships allow LTES to provide direct carrier billing to its users for payment for LTES’ product offerings, such as LTES’ tournament pass. DCB payment platforms lower inertia and as such we expect accelerated LTES revenue growth by YE21E.

Under Leet’s DCB model, mobile users subscribe to a data package that offers a pass, which allows users to compete in a series of tournaments that are offered via LTES’ Matchroom platform.

Leet’s (LTES) current coverage area in Asia, includes Malaysia, the Philippines, Indonesia, Thailand, Singapore, Cambodia, and India. During 2022-23, LTES plans to expand into other markets in South Asia (including Vietnam), the Middle East, and Africa. Over the last 12-months, Leet has entered into strategic partnerships with several ICT mobile network operators (MNOs). These partnerships include:

**Exhibit 6: Leet Asian country partnerships addressable populations**

Country	Telco/OTT	Company	Pop 2020 (m)	Region
India	Payments	Paytm First Games	1,390	South Asia
Pakistan	eWallet	Paytm First Games	220.9	South Asia
Bangladesh	TBA	TBA	164.7	South Asia
<b>Sub total</b>			<b>1,775.6</b>	
Philippines	Mobile	Smart PLDT	111.5	S.E. Asia
Malaysia	Mobile + eWallet	Digi + TNG Digital	32.8	S.E. Asia
Cambodia	Mobile	Cellcard	16.7	S.E. Asia
Vietnam	TBA	TBA	97.3	S.E. Asia
<b>Sub total</b>			<b>258.3</b>	
<b>Total</b>			<b>2,033.9</b>	

Source: ACF Equity Research; Company reports

Recently, Leet announced it will provide esports tournament management services to Paytm Group, **India’s** largest payments company. Leet is currently in advanced discussions with several other leading regional ICT (telco) players that, if successful, will increase Leet’s ability to penetrate the SEA egaming / esports market.

**Subscription model** - Leet launched its subscription model, using DCB at the beginning of 2021. DCB allows Leet users to pay for subscriptions to Leet egaming products via their regular mobile billing cycle, much like users pay for the premium version of Spotify. In our view, Leet’s new subscription model will increase its recurring revenue base and enhance its cash flow visibility.

*Paytm is a partial abbreviation for “pay through mobile”. It is India’s leading financial services company specialising in digital payments and e-commerce.*

*Paytm payments are facilitated through the use of the Paytm QR code scanned via the mobile Paytm app.*

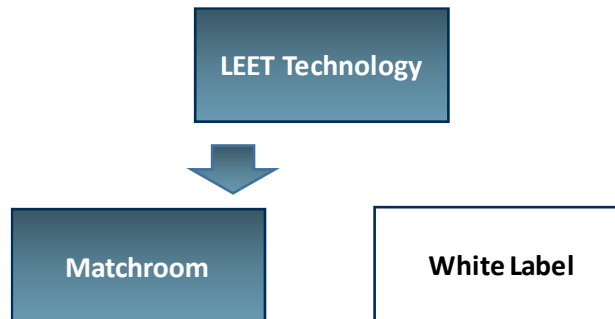
*Paytm IPO price and raise - last week Paytm raised Rs 82.35bn rupees (\$1.1bn) from 74 anchor investors.*

*Paytm’s 74 anchor investors in its recent IPO include Blackrock, CPPIB – Canada Pension Plan Investment Board, and sovereign wealth funds of Singapore and Abu Dhabi) ahead of its initial share sale.*

*Paytm subscription 8-10 November at Rs 2,080-2,150/share – implied valuation of Rs 18,300 crore (\$2.46bn) – largest in India.*

## Operational Strategy - Matchroom B2B and B2C

Exhibit 7: Leet has two verticals – vertical 2, Matchroom



Source: ACF Equity Research Graphics, Company reports

Matchroom B2B and B2C offerings – Matchroom.net has two sub-verticals Matchroom eSports and Matchroom Arcade.

**1) Matchroom esports** - an esports platform that offers in-house and branded tournaments aimed at casual competitive gamers.

Matchroom esports is a vertically integrated online events business. The revenue model for Leet’s Matchroom esports is brand sponsorship sales, tournament management service fees and tournament fees from subscribers (casual competitive gamers), depending on the particular commercial dynamics agreed between Leet and its brand partners. Leet’s Matchroom esports provides access for brands to casual competitive gaming communities.

In this type of event organising model, we typically expect a halo brand to pay for tournament management services and brand exposure. We expect related ecosystem brands to pay brand exposure fees either to the event organiser (Leet), or to the halo brand as a way for the halo brand to offset elements of its fees to the event organiser (Leet).

Matchroom esports so far has hosted more than 1,000 online tournaments for a wide range of popular games on mobile, console, and PC platforms. Matchroom hosted leading esports tournaments include **Call of Duty Mobile** (1Q21 global consumer CoD mobile spend US\$ 182m), **FIFA**, and **Apex Legends**.

*1Q21 global consumer Call of Duty mobile spend US\$ 182m.*

**2) Matchroom Arcade** - a casual egaming platform where hyper casual users play and compete in casual skill-based games and win daily prizes. Matchroom arcade is a B2C platform for Leet's subscribers and brand partners.

Matchroom arcade is monetized in two ways:

**B2C** - by subscriptions paid to Leet and by subscriptions paid to carriers (mobile phone billing) that is then passed on to Leet by the carrier (ICTs / OTTs).

**B2B** - brands pay to be promoted on the arcade site, to run promotions and to increase brand engagement with the casual gamer audience.

**Freemium to premium** - Matchroom Arcade uses a freemium model with a premium subscription providing access to cash rewards, esports merchandise, tournaments and a lucky draw (cash and merchandise).

Matchroom Arcade premium subscription requires subscribers to buy credit packages (referred to as 'MC') ranging from ~US\$ 1.00 to ~US\$ 25. There is a reducing balance model of US\$ 1 pw.

From the reducing balance model, we infer a maximum annual revenue of US\$ 52 from inactive subscribers. We assess that Leet has no commercial interest in encouraging inactivity in its subs.

**Valuation approach for the Matchroom vertical** - We consider Matchroom - events (esports branded tournaments) and Matchroom Arcade - to be a minority part of Leet's revenue generation strategy, we estimate less than 10% of total LTES forecast revenues.

Therefore, to achieve a conservative valuation, we exclude the Matchroom vertical from our valuation, **this approach leaves investors with potential additional upside above our forecast numbers.**



## Asian Esports Market Growing Rapidly

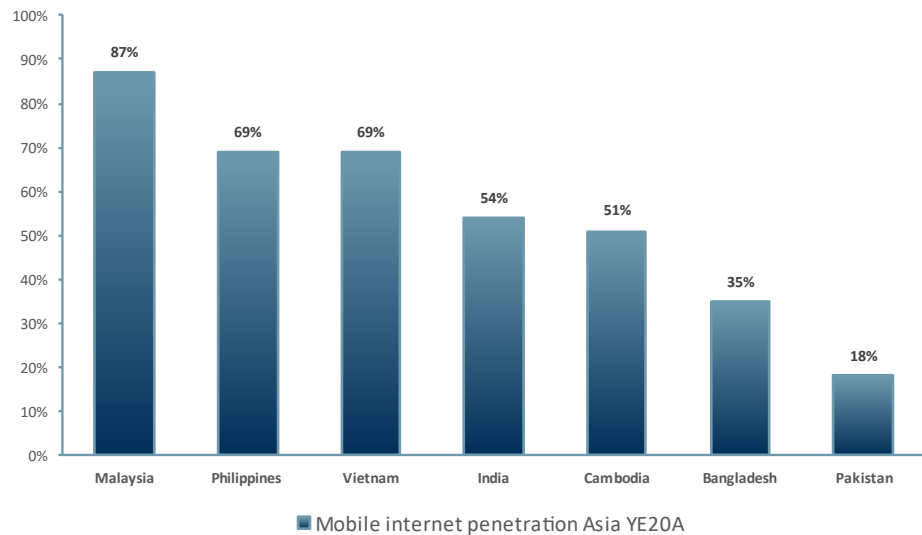
Southeast Asia’s (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam) gaming market is one of the fastest growing gaming markets.

The entire global video gaming market value YE20A was estimated at ~US\$ 150bn (Juniper Research). We forecast the global market to grow by 15% to ~US\$ 175bn YE21E and US\$ 260bn by YE25E, a 5-yr CAGR of 11.6%.

The SEA egaming market recorded revenues of US\$ 4.3bn YE20A (Allcorrect Games).

Mobile internet egaming is by far the most attractive sub-segment of the global gaming market in terms of revenues and growth.

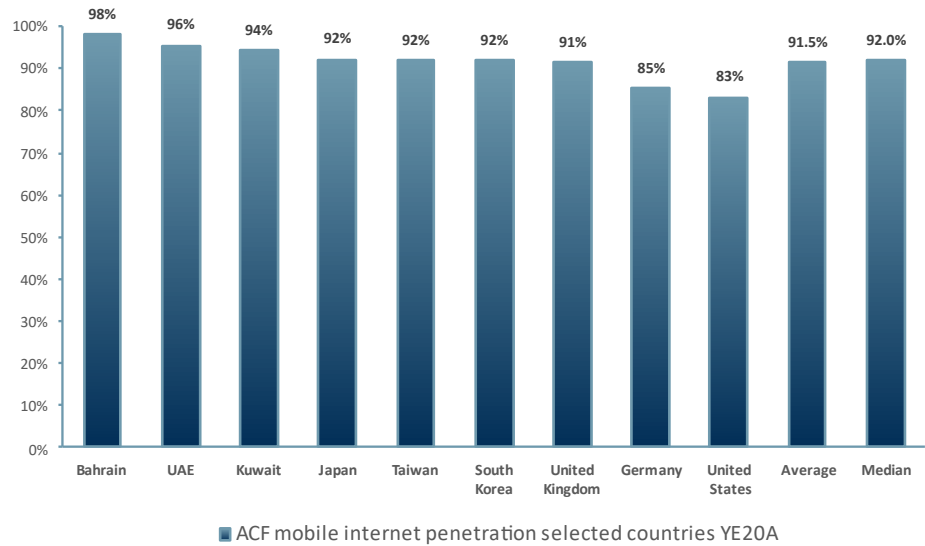
Exhibit 8: **Mobile internet penetration YE20A potential Leet markets**



Source: ACF Equity Research Estimates; Telco company reports, Statista data

Mobile egaming average revenues per user (ARPU) globally averaged at ~US\$ 55 p.a. or US\$ 4.58 pcm, according to our estimates. We expect mobile gaming average global ARPU to exceed US\$ 70 p.a. or US\$ 5.83 pcm ex-inflation, a 5-yr CAGR of 4.95%.

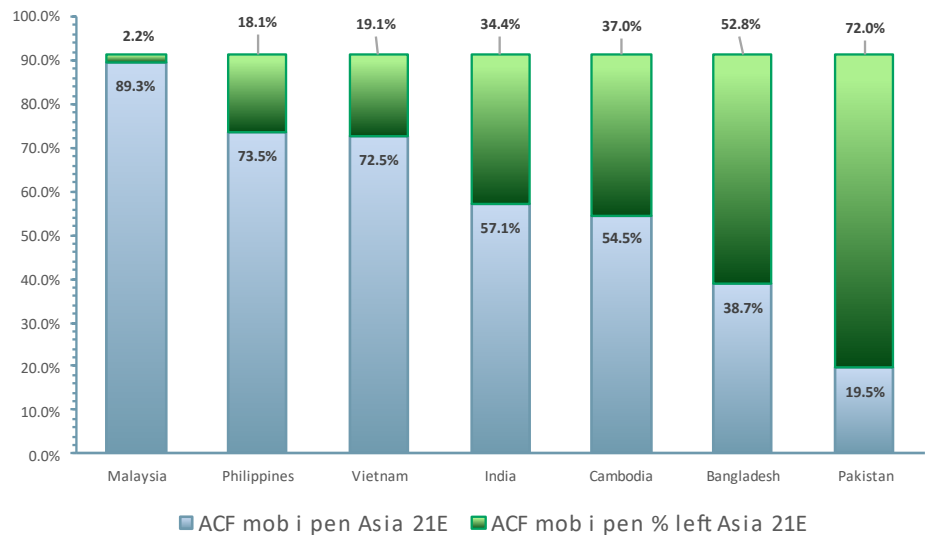
**Exhibit 9: Mobile internet penetration top 6 countries + UK, DE, US**



Source: ACF Equity Research Estimates; Telco company reports

**Exhibit 10: Potential internet penetration growth as of 2021E**

*ACF forecast mobile internet penetration (mob i pen) growth remaining in key Leet markets suggests significant growth as well as market share opportunities persist.*



Source: ACF Equity Research Estimates

Esports is a sub-segment of egaming. Esports delivered global revenues of ~US\$ 940m YE20A, according to our estimates. We expect esports market revenues to reach US\$ 1.6bn YE25E, a 5-yr CAGR of 11.2%. We expect mobile esports to represent at least 62.5% or US\$ 1bn YE25E of the total esports market.

The expanding middle class and proliferation of smartphones has been the major driver for esports in the SEA and South Asian regions.

As the mobile and network infrastructure evolves and internet penetration increases, we believe there is scope for significant value development egaming and esports in countries such as Indonesia and the Philippines.

The roll-out of 5G and the advent of cloud egaming in countries such as Indonesia, Malaysia, Singapore, and Thailand, will support the growth of the egaming, and so esports, sector.

We are also encouraged by supportive government policies in the region, which are fuelling the growth of the egames and esports sector. In late 2020 the Malaysian government announced the Esports Integrated (ESI) initiative, which lays out a roadmap to build and support an esports ecosystem in Malaysia.

Also in 2020, the Philippines launched the Youth Esports Program (YEP), which is focused on promoting esports in the country's schools. Indonesia and Singapore have also shown interest in hosting esports competitions. These policy moves support Leet's business case and strategy focussed on SEA's more than 655m population.

#### Exhibit 11: Leet 's potential subscriber numbers 2023E

Country	Pop (m)	ICT (Telco)/OTT	Subs (m)	Mobile egaming penetration assumption	Potential LTES mobile subs market (m)	Mobile egaming Mkt growth assump 20-23E	LTES % subs wins by 23E	LTES potential subs (m) 23E	Esports engagement % pop	Esports audience (m)	% of internet users egaming on any device
India	1,390	Paytm First Games	80	20%	16	20%	1.0%	0.28	22%	305.8	92.1%
Pakistan	221	Paytm First Games	49.4	20%	9.88	10%	2.5%	0.43	10%	22.09	80.0%
Bangladesh	165	TBA	10.2	20%	2.04	10%	5.0%	0.18	10%	16.47	80.0%
Philippines	111.5	Smart PLDT	30.5	20%	6.1	10%	5.0%	0.53	36%	40.14	97.0%
Malaysia	32.8	Digi + TNG Digital	10.4	20%	2.08	10%	5.5%	0.20	29%	9.512	88.3%
Cambodia	16.7	Cellcard	3	20%	0.6	10%	5.0%	0.05	10%	1.67	80.0%
Vietnam	97.3	TBA	TBC	TBC	TBC	10%	1.0%	N/A	10%	9.73	91.3%
<b>Total</b>	<b>2,034</b>		<b>184</b>		<b>37</b>			<b>1.66</b>		<b>405</b>	

Source: ACF Research Estimates; YouGov; Globalwebindex; Hootsuite: We Are Social; Company reports

## Management Team

### ➤ Executive Chairman, Dai Song

Dai is the Executive Chairman and co-founder of Leet Technology. He also serves as Director of Bru-Haas, a licensed Telecom Operator in Brunei since 2004 and Malaysia since 1998. Mr. Song received his Bachelor of Science Management (Finance and Accounting) in 1984 from the University of Massachusetts-Boston and in 2021 attended the University of Oxford, Said Business School.

### ➤ CEO, Ding Jung (Keith) Long



Keith is the co-founder and CEO of Leet Technology. He has more than 15 years' experience in the Asian egaming sector, having served in senior leadership roles in Terra ICT (eGames Global), Asiasoft and Migme. He brings extensive experience in scaling companies from start-up phase to established revenue generating businesses. Keith was instrumental in launching online video gaming in Malaysia during his stint at Terra ICT. He graduated from the University of Curtin, Western Australia with a bachelor's degree in Marketing.

### ➤ CFO, Kamal Hamidon Mohamed Ali



Kamal is Leet's CFO and brings more than 30 years of experience from the financial services sector. He joined Leet Technology in 2017 as its CFO. Prior to Leet, Kamal has held senior leadership roles with several local SE Asian and international banks such as HSBC, Standard Chartered and Citibank. He specializes in treasury and international trade financing. He holds a bachelor's degree in Business Administration and Management from Ottawa University, Kansas.

### ➤ CTO, Daniel Pacheco



Daniel is an experienced Software Development and IT project manager. He has a strong track record in building cross-functional teams and designing scalable and secure systems from the ground up. Prior to joining Leet, he worked as a software engineer at Xendity, a fintech startup which was acquired by Malaysian publicly listed company, Green Packet Berhad in 2021. He graduated with First-class Honours in Computer Science from Birmingham City University, UK.

## Valuation - DCF

Exhibit 12: Leet Technology WACC, DCF and Value Range

ACF est. \$ (m)	2019A	2020A	2021E	2022E	2023E
Revenue	0.1	0.1	0.5	6.6	12.3
EBITDA	-0.7	-0.9	-0.2	1.3	3.1
Net Income	-0.7	-0.8	-0.3	0.9	2.2
FCF	-0.7	-0.9	-0.7	0.8	2.6
CPS (diluted) (\$)	0.00	-0.01	0.00	0.01	0.02

### WACC Calc

Pre-tax cost of debt	8.0%
ETR	21.0%
After-tax cost of debt	6.3%
Current Leverage	0.0%
Debt (Weight)	0%
Equity (Weight)	100%
Target Leverage	65.0%
D / (D+E)	39.4%
ACF $\beta$ adj levered	1.25
rf	1.30%
ERP	4.7%
Cost of equity	5.6%
Risk adj.	7.0%
WACC	12.87%

We arrive at a discount rate of ~13% for Leet Technology as shown in our WACC calculation. We apply a risk adjustment factor of ~7% as Leet is still in the initial stages of its business plan.

### Valuation Range

Projects	NPV (\$m)	
Total NPV FCF (m)	96.5	
TV Contribution to NPV %	83%	
Net Debt/(Cash)	0.0	
Fair Value (m)	96.4	
NoSh (m)	153	
NoSh (diluted) (m)	153	
Intrinsic Value Per Share	0.63	
Close Price	0.28	
<b>VR (low - high)</b>	<b>0.61</b>	<b>0.65</b>
VR Spread	5.00%	
Implied VR (low - high)	119.9%	131.1%

**Note:** implied value range in this ACF research note is based upon diluted shares in issue (0m) at the date of this note.

*Our number of shares in issue (NoSh) of 152,899,640 captures shares issued since 2Q21 as part of Leet's employee compensation scheme and commercial transactions. Our NoSh is publicly available on the OTC Markets website.*

## Peer Group Comparators

Exhibit 13: Trailing Leet Technology peer group metrics

TTM Metrics / Company Name	Market	Tkr	MCAP USD(m)	EV USD(m)	P / book	P / sales	EV / REVS	EV / EBITDA
<b>Leet Technology</b>	<b>OTCQB</b>	<b>LTES</b>	<b>42.77</b>	<b>42.75</b>	<b>N/M</b>	<b>149.36</b>	<b>149.29</b>	<b>N/M</b>
Esports Technologies	Nasdaq	EBET	399.86	388.48	26.71	2.79	2772.09	N/M
Enthusiast Gaming	TSX	EGLX	399.77	366.54	2.1	3.21	3.62	N/M
Esports Entertainment	Nasdaq	GMBL	146.86	134.98	1.96	6.26	8.04	N/M
Motorsport Games	Nasdaq	MSGM	122.18	94.16	2.41	7.34	9.62	N/M
Super League Gaming	Nasdaq	SLGG	117.71	82.18	1.19	18.22	24.39	N/M
GameSquare Esports	CNSX	GSQ	76.44	69.49	2.4	19.94	16.92	N/M
Esports Mogul	ASX	ESH	13.95	9.73	2.3	60.53	44.30	N/M
SportsHero	ASX	SHO	10.83	10.36	11.72	541.38	255.86	N/M
<b>Average</b>					<b>6.35x</b>	<b>82.46x</b>	<b>391.86x</b>	<b>N/M</b>
<b>Median</b>					<b>2.35x</b>	<b>12.78x</b>	<b>20.65x</b>	<b>N/M</b>

Source: ACF Research Estimates; Companies reports; Refinitiv

Competition in the egaming and esports sector has increased. Many egaming and esports companies have direct presence in the SEA market including Esports Mogul Ltd (ESH) and SportsHero Ltd (SHO). Both ESH and SHO are listed on the Australian stock exchange (ASX). Besides public companies ESH and SHO, there are number of private companies that are targeting the SEA egaming and esports markets. For the purpose of this valuation, we have primarily chosen smaller listed companies for our peer group. These smaller companies are more relevant for comparison with LTES, as LTES is in the early stages of its business development and is not yet EBITDA positive.

Leet Technology is excluded from our average and median values in our peer group metrics to make comparison with the rest of the peer group as clean and undistorted as possible.

Reverse DCF on forecast revenues sanity check - LTES is yet to generate significant revenues and is in the early stage of its business cycle. Applying our median peer group EV/Sales multiple suggests a significant premium may be available to investors over and above our current value range.

## Valuation – Trading Multiples

*ACF Value Range of US\$ 0.61 - US\$ 0.65 per share at a 5% standard deviation.*

In Exhibit 15 below, we show a Leet Technology valuation based upon industry peer companies EV/Revs multiples. In Exhibit 14 below we show more detail of our Discounted Cash Flow (DCF) valuation. For our fair value estimate we have used DCF to achieve our value range of **US\$ 0.62 - US\$ 0.65 per share** at a 5% standard deviation. In contrast, our trading multiples fair value is **US\$ 0.79 p/s**.

**Key assumptions:** EBITDA margins increasing throughout our 5-year forecast period; WACC at 12.9%; Effective Tax Rate (ETR) assumption is 21%.

### Exhibit 14: Leet Cash Flow Model

Leet Technology DCF (\$m)	2021E	2022E	2023E	2024E	2025E	Terminal Value
EBITDA	-0.25	1.33	3.07	8.59	14.43	
Working Capital	-0.76	1.70	1.58	2.18	2.41	
Capex	-0.50	-0.50	-0.50	-0.50	-0.50	
Taxes	0.00	-0.53	-0.87	-2.16	-3.43	
<b>Cash flow after-tax</b>	<b>-1.51</b>	<b>2.00</b>	<b>3.28</b>	<b>8.11</b>	<b>12.90</b>	<b>134.69</b>
NPV	-1.46	1.72	2.50	5.47	7.71	80.52
<b>Total NPV</b>	<b>96.46</b>					
Debt	0.00					
Cash	-0.02					
<b>Implied equity</b>	<b>96.46</b>					
Shares (mn)	152.90					
<b>Fair value per share (\$)</b>	<b>0.63</b>					

Source: ACF Research Estimates; Company reports

**Trading Multiple Valuation** – We value Leet Technology using an EV/Revs multiple.

### Exhibit 15: Leet Peer Group Valuation

Peer valuation - Leet Technology (\$ m except per share)	
<b>2022 Revenue estimate</b>	<b>6.63</b>
EV/Sales Multiple (x)	20.65
<b>EV</b>	<b>136.93</b>
Debt	0.00
Cash	-0.02
Implied equity	136.91
Shares (mn)	152.90
Fair value per share (\$)	0.90
<b>Fair value per share (\$) discounted @WACC</b>	<b>0.79</b>

Source: ACF Research Estimates; Company reports

*We use an EV/Sales median peer group multiple to obtain our Leet trading multiples fair value of US\$ 0.75p/s.*

## Financial Projections

P&L \$(m)	2019A	2020A	2021E	2022E	2023E
<b>Revs</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>6.6</b>	<b>12.3</b>
gr%		40%	580%	1228%	85%
Total Expenses	-0.7	-0.9	-0.7	-5.3	-9.2
<b>EBITDA</b>	<b>-0.7</b>	<b>-0.9</b>	<b>-0.2</b>	<b>1.3</b>	<b>3.1</b>
% Revs	-1315%	-1169%	-50%	20%	25%
FV adj.	0	0	0	0	0
% Revs	NM	NM	NM	0%	0%
<b>EBIT</b>	<b>-0.7</b>	<b>-0.9</b>	<b>-0.3</b>	<b>1.1</b>	<b>2.8</b>
EBT	-0.7	-0.8	-0.3	1.1	2.8
% Revs	NM	-1153%	-54%	17%	23%
ETR	3%	0%	0%	21%	21%
<b>NI</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-0.3</b>	<b>0.9</b>	<b>2.2</b>
% Revs	NM	-1153%	-54%	13%	18%
Adj EPS (p)	0.00	-0.01	0.00	0.01	0.01
Basic EPS (p)	-0.07	-0.03	0.00	0.01	0.02
Diluted EPS (p)	-0.07	-0.03	0.00	0.01	0.02
Balance Sheet \$(m)	2019A	2020A	2021E	2022E	2023E
PP&E	0.0	0.0	0.5	0.8	1.0
<b>Total Fixed Assets</b>	<b>0.0</b>	<b>0.6</b>	<b>1.0</b>	<b>1.3</b>	<b>1.6</b>
Current assets	0.0	0.0	0.1	0.8	1.5
Cash	0.0	0.0	0.5	2.8	6.4
<b>Total Current Assets</b>	<b>0.0</b>	<b>0.1</b>	<b>0.6</b>	<b>3.6</b>	<b>7.9</b>
<b>Total Assets</b>	<b>0.1</b>	<b>0.6</b>	<b>1.6</b>	<b>5.0</b>	<b>9.5</b>
Creditors	0.0	0.5	0.1	1.3	2.5
Other liabilities	1.7	2.6	4.3	5.6	6.7
Loans	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>1.7</b>	<b>3.1</b>	<b>4.4</b>	<b>6.9</b>	<b>9.2</b>
<b>Net Assets</b>	<b>-1.6</b>	<b>-2.5</b>	<b>-2.8</b>	<b>-1.9</b>	<b>0.3</b>
Share Capital	0.0	0.0	0.0	0.0	0.0
Accum. Profit/(loss)	-1.6	-2.5	-2.7	-1.9	0.4
<b>Total Equity</b>	<b>-1.6</b>	<b>-2.5</b>	<b>-2.8</b>	<b>-1.9</b>	<b>0.3</b>
<b>Total Equity &amp; Liabilities</b>	<b>0.1</b>	<b>0.6</b>	<b>1.6</b>	<b>5.0</b>	<b>9.5</b>
Basic NAV (\$)	-0.01	-0.02	-0.02	-0.01	0.00
Diluted NAV (\$)	-0.01	-0.02	-0.02	-0.01	0.00
Cash Flow \$(m)	2019A	2020A	2021E	2022E	2023E
EBT Profit/(loss)	-0.7	-0.8	-0.3	1.1	2.8
Finance costs	0.0	0.0	0.0	0.0	0.0
<b>FV adj. + Other adj.</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Cash Taxes	0.0	0.0	0.0	-0.2	-0.6
WCap change	0.2	0.6	-0.8	1.7	1.6
<b>Net CFO</b>	<b>-0.5</b>	<b>-0.2</b>	<b>-1.0</b>	<b>2.8</b>	<b>4.1</b>

Source: ACF Research Estimates; Companies reports.

*We reach our forecast numbers here by assuming that Leet Technology can successfully develop new partnerships and enter new geographies as per its estimated timelines.*



## Glossary

<b>B2B</b>	Business to Business (B2B) is a business model in which companies sell services to other businesses rather than direct to a volume retail (consumer) customer base.
<b>B2C</b>	Business to Consumer (B2C) is a business model in which companies sell directly to the consumer (retail customers) and generally means the company selling pays for much or all of the marketing and selling costs.
<b>DCB</b>	Direct Carrier Billing (DCB) is an online mobile payment method which allows users to make purchases by charging payments to their mobile phone carrier bill. The global direct carrier billing market was valued at US\$ 33bn YE20A vs. 29.8bn YE19A (Juniper Research). DCB is particularly prevalent in developing and under-developed economies where credit cards are not common e.g. India.
<b>E2ES</b>	An end-to-end solution (E2ES) is one in which the provider of an application program and system will supply all the software, hardware, installation, integration, and setup. E2ES often suggests an emphasis on 'smart' and more efficient ways of setting up a business service to minimise costs, materials and time.
<b>EBIT</b>	Earnings before interest and tax (also often referred to or equates to operating profit).
<b>EBITDA</b>	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of US or UK GAAP or IFRS accounting standards. However, in certain cases it can act as a close proxy to free cash flow.
<b>EBT</b>	Earnings before tax. Also often expressed as PBT – profit before tax.
<b>Event Manager</b>	Event managers are responsible for ensuring a particular tournament or esports event is delivered as expected. This can include viewer number targets, ticket revenues, positioning with media outlets and fans/participants.

<b>FCF</b>	Free Cash Flow is generated in ACF’s models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash-based costs have been deducted.
<b>ICT</b>	Information and Communications technology (ICT) companies (most often recognised as telecommunications companies (telcos) are those that provide unified communications. Specifically, ICT relates to the integration between telecommunications (telephone lines, fibre optic cable, copper coaxial, copper twisted pairs, wireless signals and computing devices (personal computers including smartphones, digital television, email, or robots). ICT also refers to the integration of audio visual and telephone networks with computer networks.
<b>JV</b>	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle. JV can also refer to more informal arrangements.
<b>LTES</b>	Refers to the exchange ticker symbol for Leet Technology Inc.
<b>NoSh</b>	Number of Shares in issue (NoSh).
<b>NPV</b>	Net Present Value (NPV) refers to the current value of future cash flows generated by the company
<b>OTT</b>	An over-the-top (OTT) service is one offered directly to viewers via the Internet. OTT is generally charged to the consumer as data and effectively bypasses the suite of billable services offered by traditional telco, cable and satellite operators.

<b>SAC</b>	Subscriber acquisition cost (SAC) is the cost to a company of winning a customer to purchase a subscription. It is calculated by dividing all the costs (i.e. cost of sales + marketing expenses) spent on acquiring more subscribers by the number of subscribers acquired in a defined period.
<b>Shareholders' Equity</b>	Shareholders' equity is a line on the balance sheet calculated from the deduction of total liabilities from total assets. It represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. Shareholders' equity differs from the equity value expressed in market capitalisation (MCap), which is number of shares in issue (NoSh) multiplied by the share price. The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.
<b>WACC</b>	Refers to the weighted average cost of capital for the firm.

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