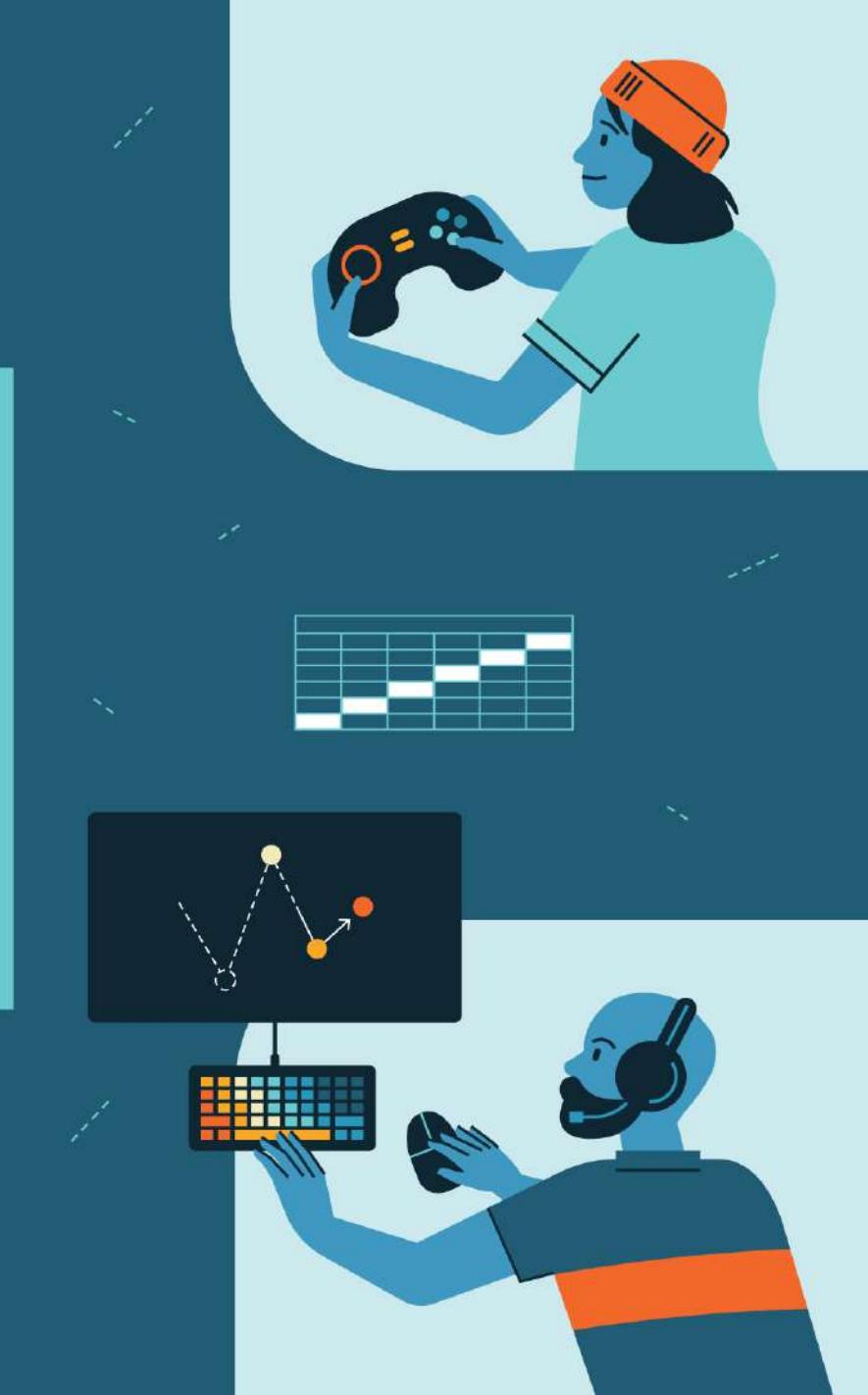




**DDM >**

# Games Investment Review

Q2 2023 FREE SUMMARY REPORT

A central graphic element consisting of a teal rectangular box. Inside the box, at the top left, is the "DDM >" logo. To the right of the logo is a white line graph with three data points (blue, white, and orange) connected by dashed lines. Below the graph is a 3D bar chart with several bars of varying heights in shades of teal and white. The bottom half of the teal box contains the title "Games Investment Review" in large serif font and the subtitle "Q2 2023 FREE SUMMARY REPORT" in a smaller sans-serif font.

# About DDM

Digital Development Management

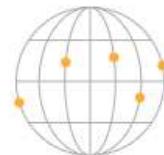
DDM >

# We are the Video Game Business Experts

DDM HIGHLIGHTS

## \$1.2 Billion

In deals secured for DDM Representation Clients



Established in China,  
Japan, Europe plus US  
Coasts

## 17

Years in the industry

## 60+

Consulting clients

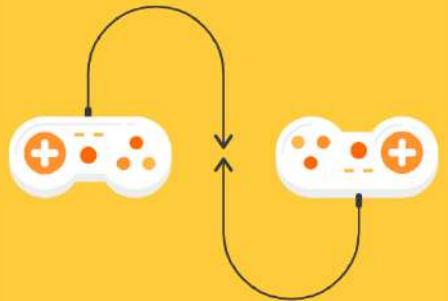
## 700+

Deals signed across  
our service areas

## 14

Years of industry  
investment data

# DDM provides comprehensive services for the video games industry



## Representation

DDM represents talented development studios around the globe that create great games on every platform. With its worldwide business development team and deep industry relationships, DDM secures full game deals and co-development projects for its clients. Always with a personal touch, DDM has secured hundreds of deals and deeply understands how to run extensive business development in an efficient and effective manner.

We secure the project deals to achieve your company's goals.



## Consulting

DDM provides best-of-class consulting to help companies succeed in their games industry initiatives. Whether entering the games space, expanding on an existing endeavor, or undertaking a new project that can benefit from interactive technologies, DDM partners with you to build and execute upon a tailored strategy. With a network of consulting executives, development studios, production services experts and publishing capabilities, plus DDM's own internal extensive expertise and research department, DDM can tackle any games industry project you've got.

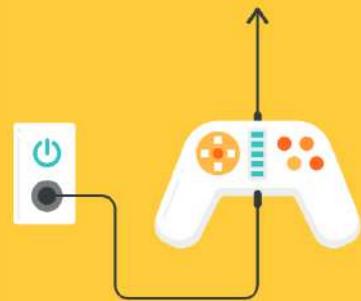
Consulting from experts who know the games business. We create action plans that are actually used.



## Data & Research

DDM's research team provides our clients with bespoke services based on extensive industry experience, a wealth of data we maintain on a regular basis and the most comprehensive and up-to-date game industry investment database that exists. We leverage our overall company's Representation, Investment and Consulting services to help our clients succeed in their project funding, investments, acquisitions, exits and strategic initiatives. Our team publishes the quarterly DDM Games Investment Review reports which is regularly featured on Forbes, GamesIndustry.biz, VentureBeat and many others.

We provide the data and research to take your company to the next level.



## Investment Services

DDM consults as an M&A Broker for companies in the game industry looking to secure a buyer as well as those looking to source acquisition targets. Our extensive knowledge of the games industry and worldwide business development capabilities are combined with deep financial expertise and rich investment data. Whether you are seeking partial investment or full acquisition, we globally source business prospects that match your strategy and criteria.

We secure the investment or M&A required for you to take your next major strategic step.

# DDM's investment services and consulting drive key acquisitions and investments

Leveraging the knowledge obtained from having closed 700+ deals over 17 years, keeping the most comprehensive M&A transaction level data in the industry and being involved in some of the most interesting consulting projects and M&A transactions, DDM truly offers an unrivaled value proposition second to none.

## ► Fully dedicated investment team

- Unparallel industry & deals knowledge
- Global presence with offices in key territories
- Full understanding of the needs at each stage of the process
- Second-to-none industry network

## ► Up-to-date proprietary market information – DDM Game Investment Review (GIR)

## ► Unique set of proprietary tools and methodologies developed for the video game industry

## ► Holistic approach

## ► Relationship vs transactional driven

## ► Success fee based model

The collage includes the following items:

- Focus Home Interactive: Acquisition of Deck13 Interactive, a Leading German Game Development Studio and Long-time Partner** (Business Wire, June 23, 2020)
- Embracer Group acquires Purple Lamp Studios** (Yahoo Finance, November 17, 2020)
- Joyme Capital Completed the \$5M CAD Strategic Investment to Canadian Public Company PopReach** (PopReach, October 18, 2020)
- CD Projekt buys the indie studio behind 'The Flame in the Flood'** (MSN, August 26, 2020)
- Esports Platform Challengermode Secures \$12 Million Investment** (Forbes, August 26, 2020)
- Nordisk Games buys 40% of MercurySteam** (GamesIndustry.biz, August 26, 2020)
- Outriders Dev People Can Fly Opens Chicago Studio, Now Has 320+ Employees Worldwide** (People Can Fly, April 26, 2021)
- Flying Sheep has joined the game** (iCandy Interactive, September 12, 2022)
- M2H sells its majority share of WW1 Game Series to Focus Entertainment** (Eurogamer, September 12, 2022)
- OtherSide Entertainment gets new investment from Aonic Group** (Eurogamer, September 12, 2022)

# Q2 2023

## Free Summary

For full listings of new fund announcements, analysis and listing of transaction details by industry segment, top 10 active investors, and more, visit DDM's Games Investment Review website to purchase the 80+ page paid report.



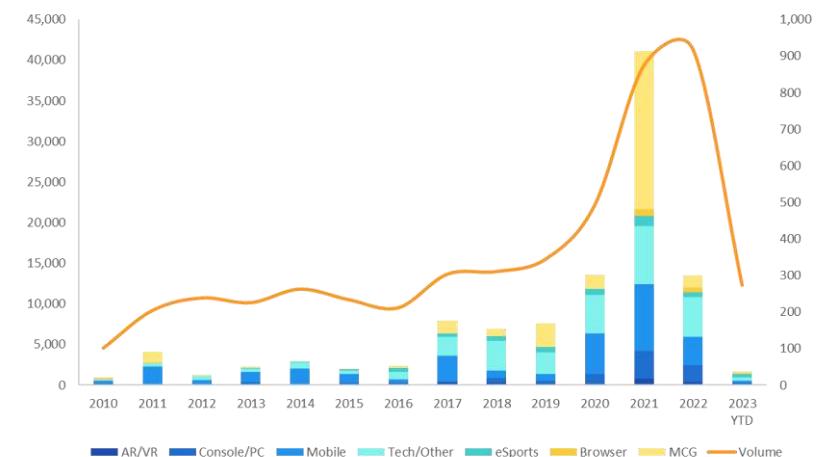


## Q2's \$784M Investments/M&As Marks Full-Year Decline

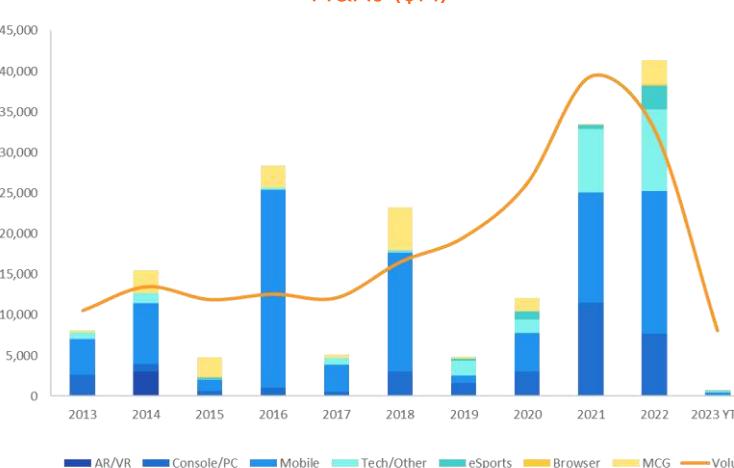
Over the last year, the games industry withstood macroeconomic headwinds of high inflation and recession fears, a prolonged crypto winter, bank failures, and slower global economic growth. As a result, games investments and M&As in Q2 2023 have marked four quarters or a full year of decline in value and volume:

- ▶ Investments totaled \$676.0M across 127 transactions, -34% in value and -14% in volume over Q1's \$1.0B and 147 investments
- ▶ M&As totaled \$108.4M across 31 transactions, -81% in value and -24% in volume over Q1's \$565.0M across 41 transactions
- ▶ DDM tracked over \$7.8B in new capital raised across 35 new funds, -18% in value and +84% in volume compared to Q1 \$9.6B across 19 new funds; this suggests that venture capital firms are having a hard time raising capital given market conditions, but are still trying to make investments at a bargain
- ▶ H1 2023 investments totaled \$1.7B across 274 investments, -83% in value and -53% in volume over H1 2022's \$9.8B over 583 investments
- ▶ H1 2023 M&As totaled \$673.4M across 72 transactions, -98% in value and -55% in volume compared to H1 2022's 29.0B across 160 transactions
- ▶ That said, H2 could rally to a record-breaking year after Savvy Games Group's \$4.9B Scopely acquisition closed in July (Q3) and as Microsoft's \$68.7B acquisition of Activision Blizzard is closer to regulatory approval and looking likely to close in Q3

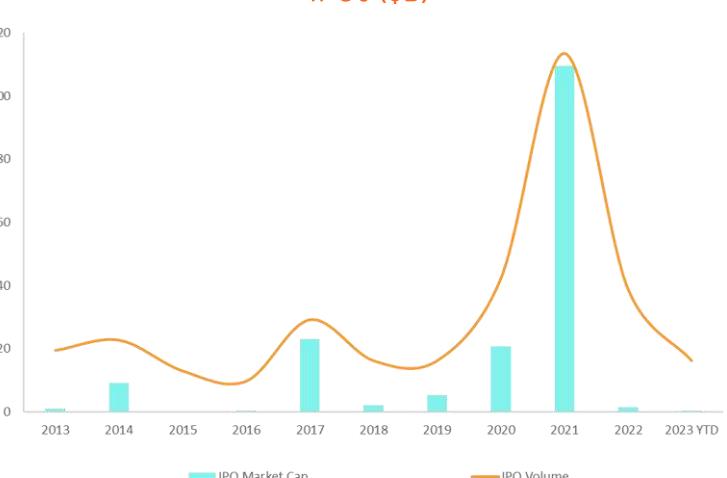
Investments (\$M)



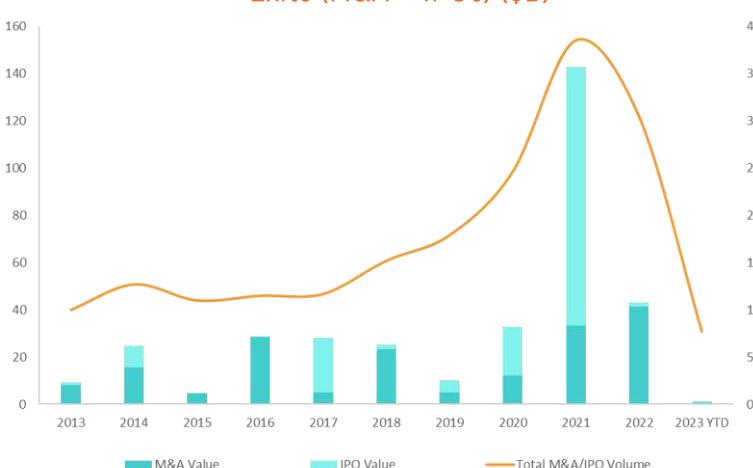
M&amp;As (\$M)



IPOs (\$B)



Exits (M&amp;A + IPOs) (\$B)



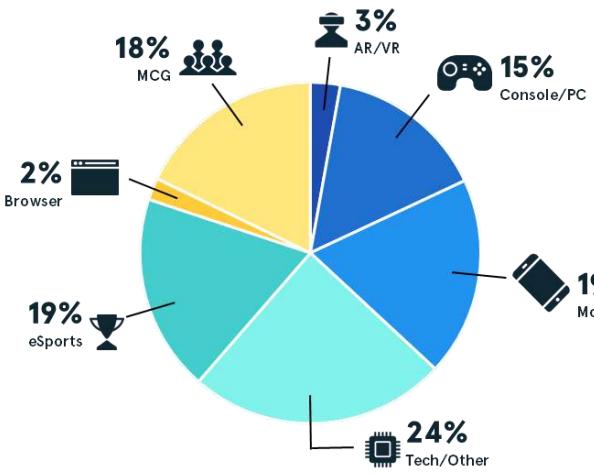


## Games Investment Q2 \$676.0M Achieves Third Best Q2 for Volume

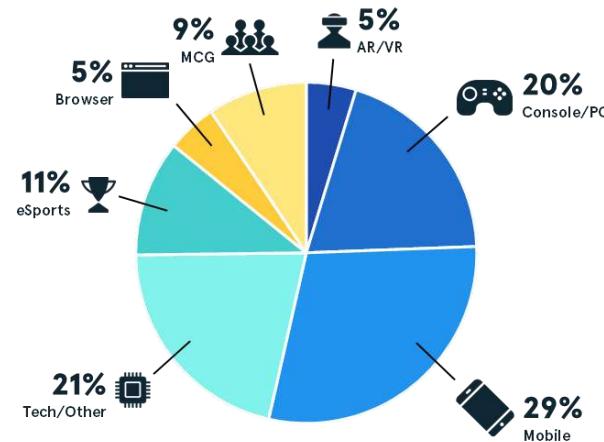
- Q2 2023 totaled \$676.0M across 127 investments (a decrease of 34% in value and 14% in volume compared to Q1's \$1.0B across 147 investments)
- Among second quarters for any given year, deal volume held firmly achieving the third best second quarter only being edged by Q2 2022's 247 and Q2 2021's 186 investments
- Highest segment by value was led by Tech/Other (24%), followed by Mobile (19%), eSports (19%), MCG (18%), Console/PC (15%), AR/VR (3%), and Browser (2%)
- Highest segment by volume was led by Mobile (29%), followed by Tech/Other (21%), Console/PC (20%), eSports (11%), MCG (9%), AR/VR (5%) and Browser (5%)
- Unlike last quarter where undisclosed investments recorded the highest volume ever, Q2's 19% of undisclosed transactions came in around the quarterly historical average
- Applying historical averages to estimate undisclosed investment values, Q2 reached nearly \$827.4M [+/- \$72.6M]



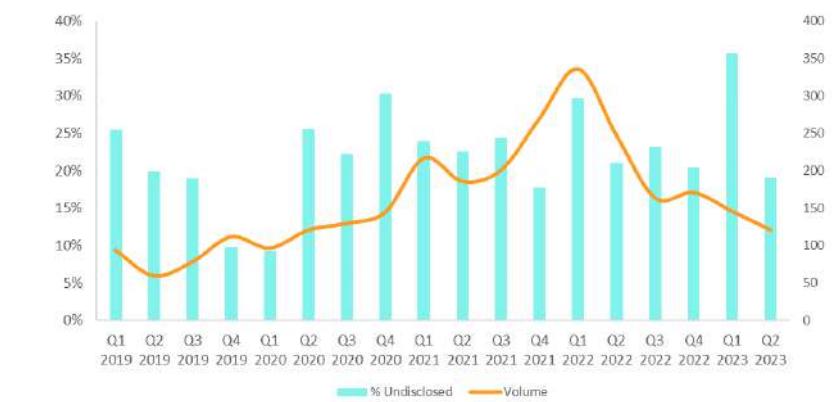
### Segments by Value



### Segments by Volume



### % of Undisclosed Investments vs Deal Volume

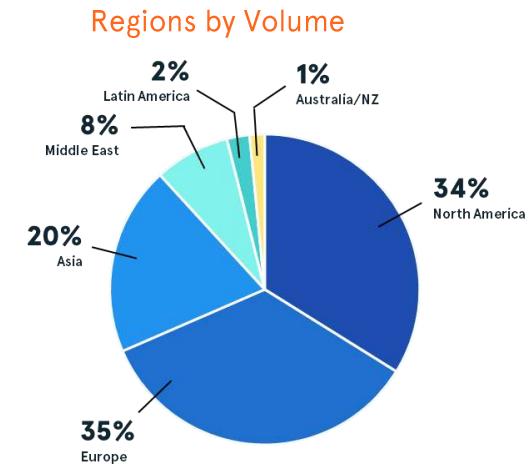
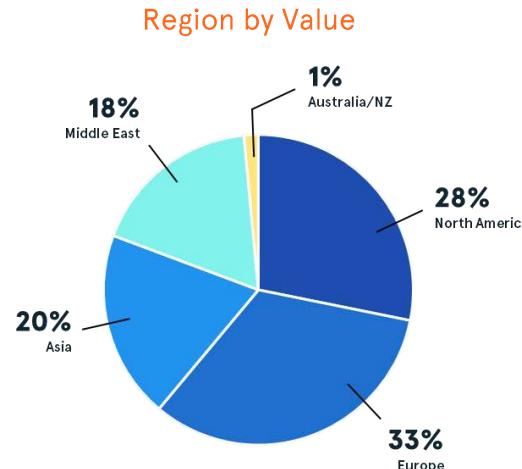
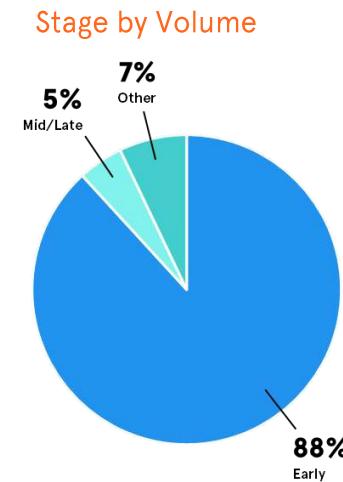
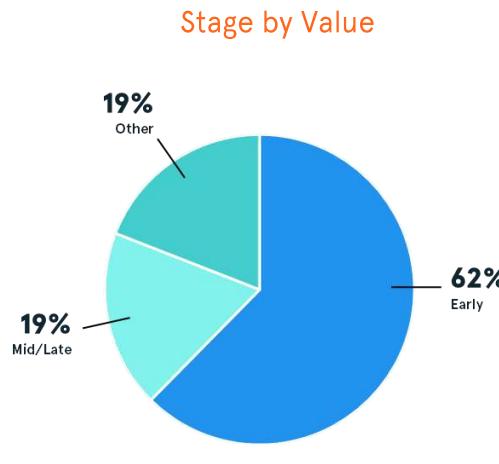
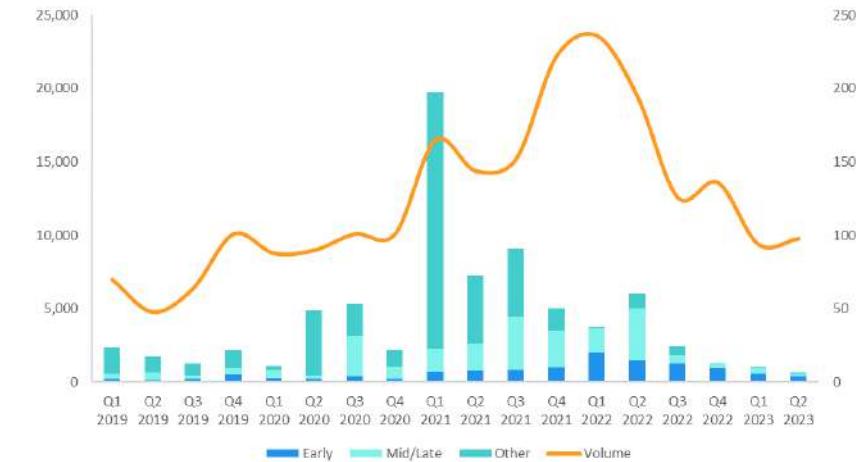


\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.



# Europe Sneaks by North America at \$222.5M Across 44 Investments

- ▶ Early-stage rounds totaled \$421.8M across 112 investments (62% of the value and 88% of the volume)
- ▶ Mid/Late-stage rounds totaled \$125.2M across 6 investments (19% of the value and 5% of the volume)
- ▶ Series A led the quarter in value totaling \$281.3M across 25 investments (42% of the value and 20% of the volume)
- ▶ Seed rounds led the quarter in volume totaling \$127.0M across 39 investments (19% of the value and 31% of the volume)
- ▶ Unlike last quarter where North American companies dominated investments, in Q2 European companies were a focus as they led the quarter and just barely edged North American companies by one investment totaling \$222.5M across 44 investments (33% of the value and 35% of the volume)
- ▶ North America and Asia were the next most active regions for value and volume with North America attributing \$190.4M across 43 investments (28% of the value and 34% of the volume) and Asia providing \$132.4M across 25 investments (20% of the value and 20% of volume)
- ▶ The Middle East, Latin America, Africa, and Australia/NZ were the least funded regions totaling a combined \$130.7M across 15 investments (19% of the value and 12% of the volume)



Early stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top 10 Private Investments Q2 2023

Top 10 Private Investments by Value Q2 2023

Segment	Date	Company	Value (\$M)	Stage	Company description	Country
MCG	25 Apr 23	Everdome	50.0	Early	Blockchain games and metaverse developer	UAE
Tech/Other	27 Jun 23	Anzu	48.0	Mid/Late	In-game advertising/analytics services provider	Israel
MCG	27 Jun 23	Mythical Games	37.0	Mid/Late	MMO game/blockchain developer and blockchain economy solutions provider	USA
eSports	19 May 23	Nodwin Gaming	28.0	Mid/Late	eSports production services provider	India
eSports	27 Apr 23	TEG	27.7	Early	eSports entertainment and gaming facilities provider	Japan
MCG	30 May 23	Madngine	22.6	Early	Mobile MMORPG games developer	South Korea
eSports	19 Apr 23	Goals	20.0	Early	Blockchain games developer	Sweden
Mobile	11 Apr 23	Mayhem Studios	20.0	Early	Mobile games developer	India
Tech/Other	30 May 23	Transak	20.0	Early	Blockchain payments and onboarding infrastructure provider	USA
Mobile	17 Jun 23	Drest	19.2	Early	Fashion-focused mobile games developer	UK

- Q2 held no major sizable private investments allowing Everdome's \$50.0M early-stage investment to be the highest and represented 7% of the quarter's value
- Game developers were the majority of the top 10 private investments representing 58% of the top 10 private investments in value totaling over \$168.8M and 60% of the volume

- Unlike last quarter where DDM noted a slight uptick in blockchain investments within the top 10 private investments, Q2 showed blockchain investors are showing caution as blockchain investments totaled \$127.0M or 43% and 40% in value and volume compared to Q1's \$143.0M or 26% and 60% of the value and volume in the Top 10 chart
- Early-stage investments conquered the top 10 private investments reaching a total of \$179.5M or 61% of the value and 70% of the volume

Early stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top and Median Segment Investment Q2 2023

Disclosed Investments Q2 2023								
Category	AR/VR	Browser	Console/PC	eSports	MCG*	Mobile	Tech/Other	
No. Investments	2	3	11	10	9	30	22	
Top Deal by Value (\$M USD)	Vinci Games' \$5.1M Seed investment from Makers Fund, Y Combinator, Soma Capital, Pioneer Fund, and others	Things' \$10.0M Seed investment from Andreessen Horowitz	Illuvium's \$10.0M early-stage investment from Framework Ventures	Nodwin Gaming's \$28.0M mid/late-stage investment from Nazara Technologies, KRAFTON, JetSynthesys, Sony, InnoPark	Everdome's \$50.0M early-stage investment from GEM	Mayhem Studios' \$20.0M Series A investment from Sequoia Capital, Steadview Capital, Truecaller, and others	Anzu's \$48.0M Series B investment from Emmis, PayPal, Evolution VC Partners, Simon Equity Partners, Bandai Namco, BITKRAFT Ventures, Samsung, and others	
Seed by Volume	50%	100%	55%	20%	22%	50%	43%	
Series A by Volume	50%	0%	18%	40%	56%	27%	24%	
Other by Volume	0%	0%	27%	40%	22%	23%	33%	
Q2 Median Segment Investment (\$M USD)	3.9	7.0	1.6	10.2	6.5	3.0	2.8	
Q2 Segment Total Value (\$M USD)	7.7	14.0	29.2	110.7	120.2	109.6	154.4	
Q1 Median Segment Investment (\$M USD)	9.5	4.6	6.0	2.6	9.4	4.0	5.0	
Q1 Segment Total Value (\$M USD)	39.6	54.6	133.2	26.3	118.2	112.4	234.5	

► We prefer medians instead of averages to reduce the impact of large mid/late-stage rounds from skewing the picture of typical investments; conversely, if a category has low volume, any blockbuster investment can have an outsized effect

► Chart excludes IPO, Post IPO, crowdfunding, grants, token offerings

\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.  
Early stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top 20 Investments by Value Q2 2023\*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
MCG	25 Apr 23	Everdome	50.0	Early	Blockchain games and metaverse developer	UAE
Tech/Other	27 Jun 23	Anzu	48.0	Mid/Late	In-game advertising/analytics services provider	Israel
MCG	27 Jun 23	Mythical Games	37.0	Mid/Late	MMO game/blockchain developer and blockchain economy solutions provider	USA
eSports	19 May 23	Nodwin Gaming	28.0	Mid/Late	eSports production services provider	India
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MCG	30 May 23	Madngine	22.6	Early	Mobile MMORPG games developer	South Korea
eSports	19 Apr 23	Goals	20.0	Early	Blockchain games developer	Sweden
Mobile	11 Apr 23	Mayhem Studios	20.0	Early	Mobile games developer	India
Tech/Other	30 May 23	Transak	20.0	Early	Blockchain payments and onboarding infrastructure provider	USA
Mobile	17 Jun 23	Drest	19.2	Early	Fashion-focused mobile games developer	UK
Tech/Other	18 May 23	Rooter	16.0	Early	Game streaming and eSports platform developer	India
Mobile	10 Jun 23	Skybound Entertainment	17.8	Other	Entertainment/comic books and mobile/PC/console games publisher	USA
Tech/Other	15 Jun 23	XAI	13.0	Early	Blockchain infrastructure provider and games developer	USA
eSports	21 Jun 23	GGTech	12.4	Early	eSports education and tournament platform provider	Spain
Tech/Other	08 Jun 23	HyperPlay	12.0	Early	Blockchain games platform provider	USA
AR/VR	29 Jun 23	VRFabric	11.4	Other	VR games developer and porting service provider	Poland
eSports	10 May 23	Triumph	10.2	Early	eSports tournament tool developer and provider	USA
Tech/Other	06 Jun 23	Argus	10.0	Early	Blockchain games developer/publisher and engine provider	USA
Console/PC	30 May 23	Illuvium	10.0	Early	Blockchain games developer	Australia
Browser	16 May 23	Things	10.0	Early	Browser games engine developer and tool provider	USA

\*From disclosed deals with values

Certain stages are consolidated for this report: Early Stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top Active Investors (#1-5)

Polygon			
6 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
16.5	8.5	Early, Mid/Late	Tech/Other, Mobile
User-generated educational games platform developer <b>TinyTap</b> raised \$8.5M in a late-stage raise Blockchain game developer/publisher and service provider <b>Aether Games</b> raised \$4.5M by a combined equity and token financing Blockchain loot box platform developer <b>Loot Labs</b> raised \$1.5M in a pre-seed round			

BITKRAFT Ventures			
5 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
71.2	48.0	Early, Mid/Late	Tech/Other, Mobile
Anzu, an in-game advertising/analytics services provider, raised \$48.0M in a series B round Blockchain games platform provider <b>HyperPlay</b> raised \$12.0M in a series A round co-led by Griffin Gaming Partners and BITKRAFT Ventures Scriptic, an AI-driven mobile games developer, raised \$5.7M in a seed extension round			

Animoca Brands			
4 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
57.0	37.0	Early, Mid/Late	Mobile, MCG, Tech/Other
MMO game/blockchain developer and blockchain economy solutions provider <b>Mythical Games</b> raised a Series C round of \$37.0M Transak, a blockchain payments and onboarding infrastructure provider, raised \$20.0M in a Series A raise GOMBLE, a blockchain mobile games developer, completed a seed round			

Griffin Gaming Partners			
3 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
23.8	12.0	Early	Tech/Other, MCG, Mobile
Griffin Gaming Partners and BITKRAFT Ventures co-led a \$12M Series A round for <b>HyperPlay</b> , a blockchain games platform provider Million Victories, a mobile MMO games developer, raised a \$6.5M Series A round Mobile games developer <b>Grand-Attic</b> , formerly Hadi Games, raised \$5.3M			

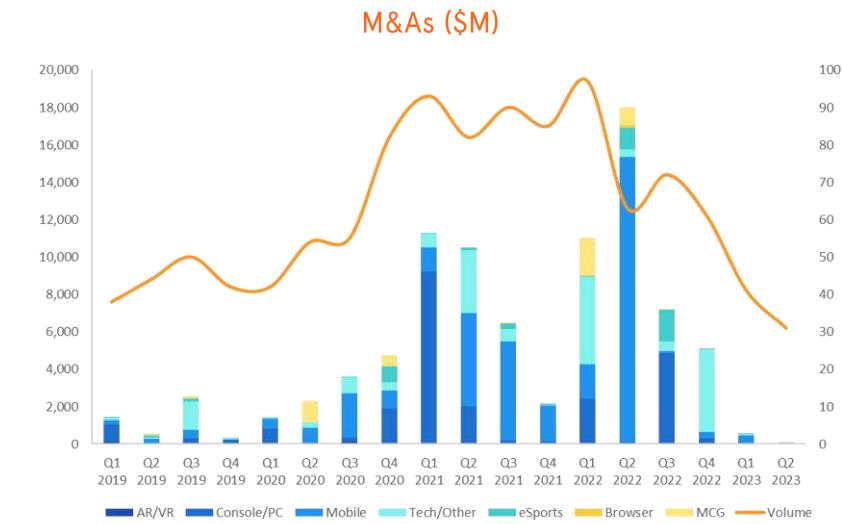
Cogitent Ventures			
3 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
16.8	9.5	Early	Tech/Other, Console/PC
MetaGravity, a blockchain games infrastructure developer and provider, raised \$9.5M in a seed round Blockchain game developer/publisher and service provider <b>Aether Games</b> raised \$4.5M by a combined equity and token financing Orbofi AI, an AI-driven blockchain games engine provider, raised \$2.8M in an early-stage raise			

We list the most active firms by deal volume as well as the total value of the disclosed investments in which they participated and top value for single deal. Further, our investment tracking focuses on deals that involve Western companies. As always, since announcements do not typically list the contribution breakdown by firm, we do not include a breakdown of how much is invested by each firm. Some transactions also may be repeated if multiple investors invested in the same round for the company.

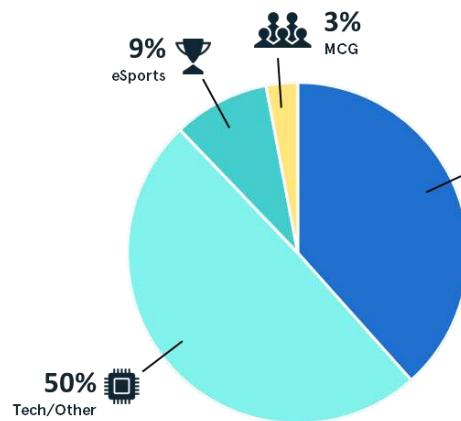


## M&A's Disclosed Values Decreased for the Last Four Quarters

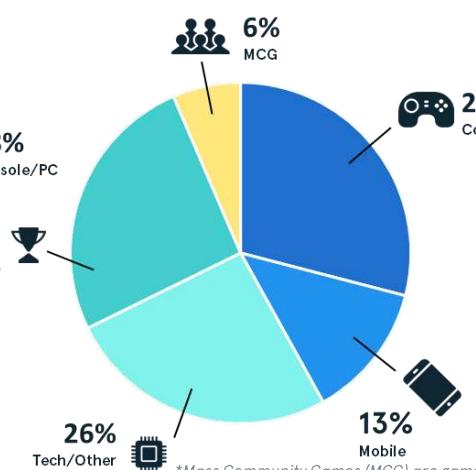
- Q2 2023 reached \$108.4M across 31 transactions (a decrease of 80.8% in value and 24.4% in volume compared to Q1's \$565.0M across 41 transactions)
- Among second quarters since 2010, M&As for Q2 2023 recorded the third lowest Q2 by value; only 2010's Q2 of \$79.0M over 10 transactions and 2013's Q2 of \$84.2M over 20 transactions are lower
- DDM continues to see acquirers hold values close to the chest as undisclosed deals dipped to 76%, a 14% decrease from last quarter's record high, but still 10% higher than the quarterly average and median around 66%
- Highest segment by value was led by Tech/Other (50%), Console/PC (38%), eSports (9%), and MCG (3%)
- Highest segment by volume was led by Console/PC (29.0%), Tech/Other (25.8%), eSports (25.8%), Mobile (12.9%), and MCG (6.5%)
- Similar to investments where Europe and North America battled for the top spot, both regions led in terms of value and in volume with European companies highest for value at \$60.7M across 12 transactions (56% of value and 39% of volume) and North American companies highest in volume at \$47.7M across 16 transactions (44% of the value and 52% of the volume)
- Most active acquirers for Q2 2023 included Aonic Group and Atari at two acquisitions a piece



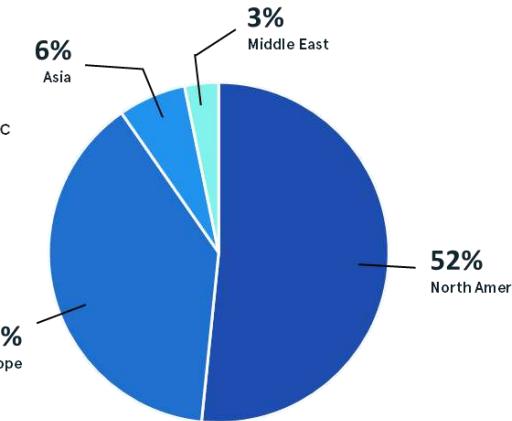
### Segments by Value



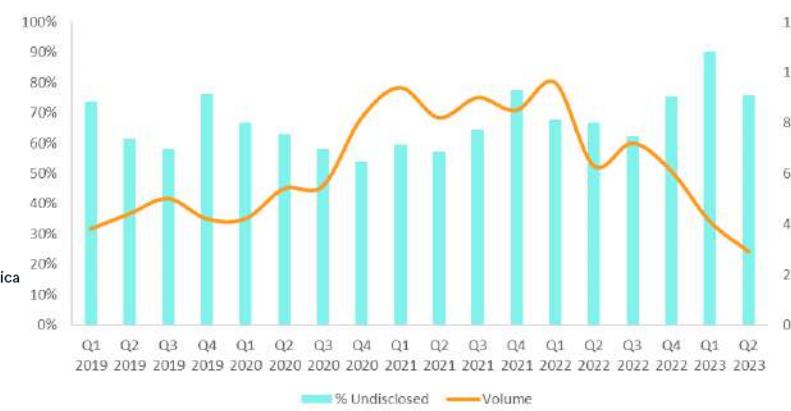
### Segments by Volume



### Regions by Volume



### % of Undisclosed M&As vs Deal Volume



\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.



## Top M&A by Value Q2 2023\*

Category	Date	Company	Acquirer	Value (\$M)	Company description	Country
Tech/Other	30 May 23	Wargraphs	M.O.B.A. Network	53.6	Games data analytics platform developer and service provider	France
Console/PC	15 May 23	Night Dive Studios	Atari	19.5	Console/PC games and game engine developer	USA
Console/PC	11 May 23	Hardsuit Labs	Keywords Studios	15.0	Console games developer and service provider	USA
eSports	09 Jun 23	Tidal Gaming Group (Sportsflare asset)	Entain Group	9.9	eSports organization and betting services provider	Canada
Console/PC	06 Apr 23	Nuklear	Jumpgate	7.1	Console/PC games developer and service provider	Germany
MCG	09 May 23	Melon	Super League Gaming	3.3	Roblox metaverse developer	USA
eSports	07 Jun 23	Gfinity (Athlos Game Technologies asset)	Tourbillon Group UK	0.0	eSports tournament service provider	UK

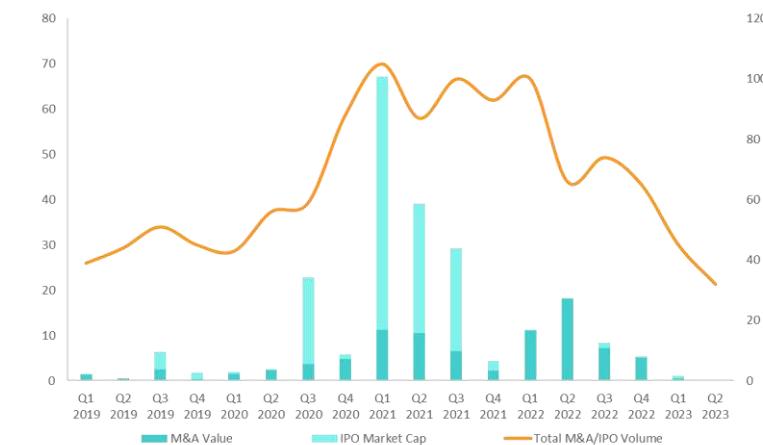
\*From disclosed deals with values



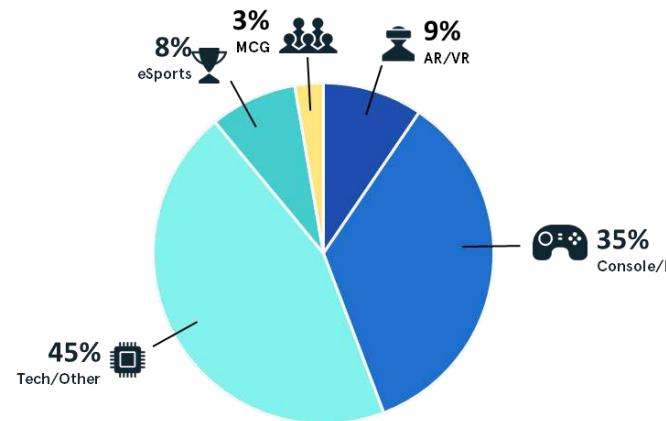
## Q2's Exits (M&A + IPOs) Record Third Lowest Value In History

- The only IPO this quarter was VRFabric, a Polish VR games developer and porting service provider which debuted on NewConnect with a market capitalization of \$11.4M
- As a result of only one IPO, Q2's IPO is a 98% decrease in value and 75% decrease in volume over Q1's \$453.5M and 4 initial public offerings
- Among second quarters, Q2's IPO only edged above 2010, 2013, 2015, and 2019 where all held 0 IPOs within their respective second quarters
- Q2's exits (M&A + IPOs) reached \$119.8M over 32 transactions (a 88% decrease in value and a 30% in volume compared to Q1's exits of \$1.0B across 44 transactions)
- Across our 14+ years worth of data Q2 exits recorded the third lowest quarter just edging 2010's Q1 and Q2 reaching \$84.0M and \$79.0M across 10 transactions respectively
- Highest exits by value led by Tech/Other (45%), followed by Console/PC (35%), AR/VR (9%), eSports (8%), and MCG (3%)
- Highest exits by volume led by Console/PC (28%), followed by Tech/Other and eSports (25%), Mobile (13%), MCG (6%), and AR/VR (3%)

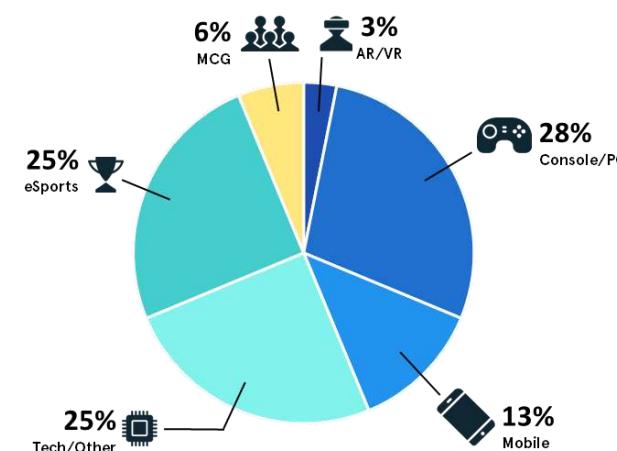
Exits (M&amp;A + IPO) (\$B)



Exits By Segment Value

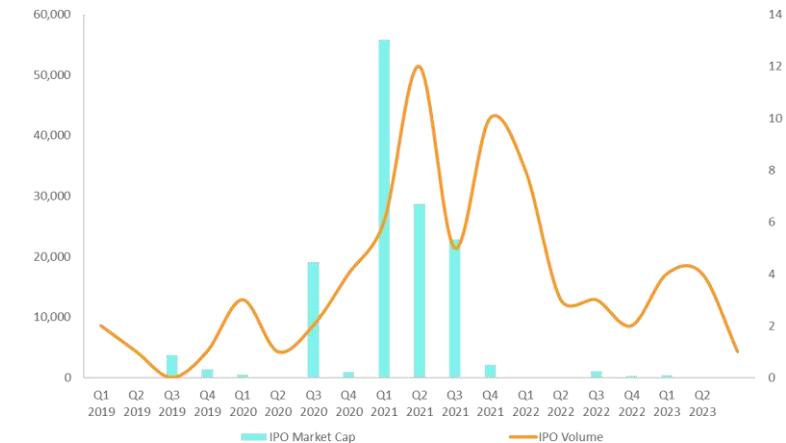


Exits By Segment Volume



\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.

IPOs (\$B)

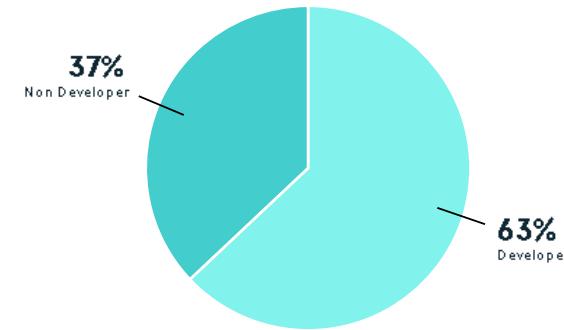




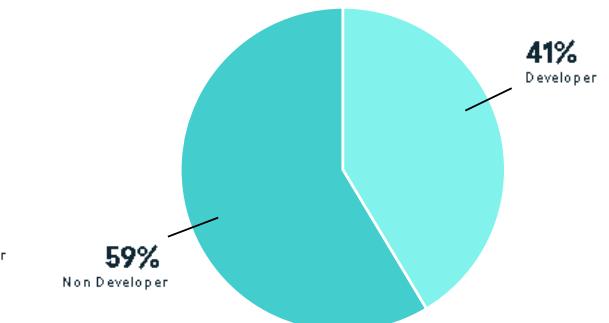
## Median Investment Value per Developer Reverts to Historical Level of \$3M

- Q1 median investment values for developers increased to a record \$5.0M, for the first half of 2023, the median YTD has settled back to historical levels at \$3.0M
- Q2 game developer investments totaled \$425.7M across 92 investments (a decline of 6% in value and a 5% volume compared to Q1's \$453.4M across 97 investments)
- Game developers' share of investment value increased to nearly two-thirds (63%) and three-quarters deal volume (72%) of Q2's total investments, mainly from early-stage funding (65%)
- Of the disclosed M&As in Q2, less than half of M&A value (41%) went to development studios
- Mobile game developers took majority of investment by value (29%) followed by MCG\* at 28% which is consistent with Q1 and shows continued interest in blockchain and metaverse games
- Median size studio that took investment was 11 persons; developers that employed fewer than 10 persons received the highest volume of investment (43%)
- M&As continue to focus on larger studios with studios employing 21-100 persons taking three-quarters of Q2 M&A deals (75%)

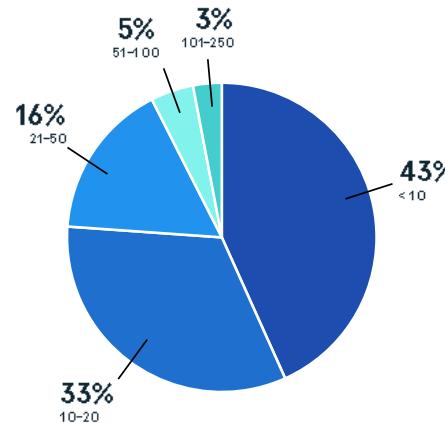
Investment Offering by Value



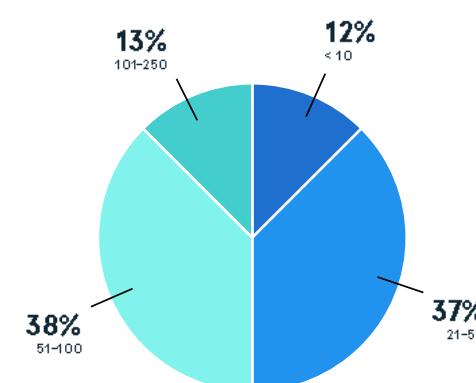
M&amp;A Offering by Value



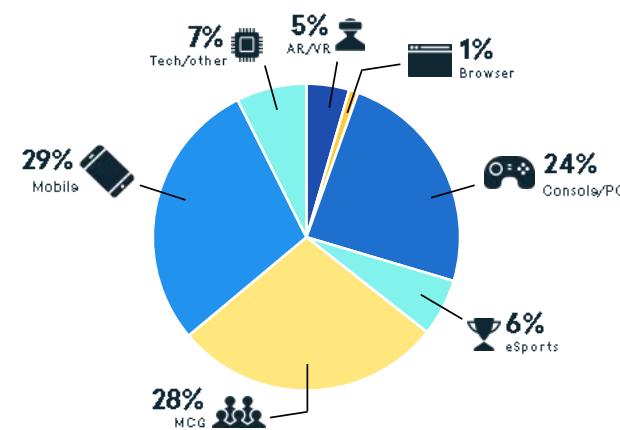
Investment Volume by Studio Size



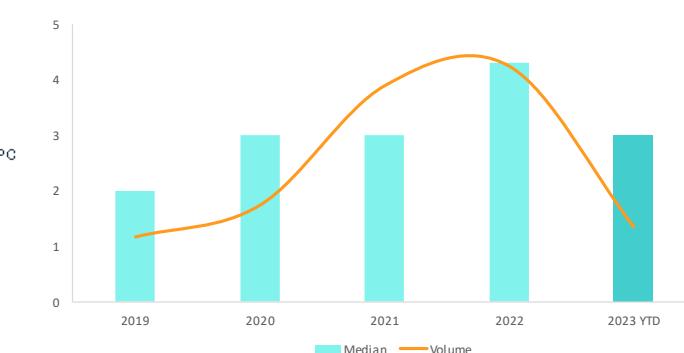
M&amp;A Volume by Studio Size



Investment Value by Segment



Median Investment by Year



\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.



## Top 10 Developer Investments by Value Q2 2023\*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
MCG	25 Apr 23	Everdome	50.0	Early	Blockchain games and metaverse developer	UAE
MCG	27 Jun 23	Mythical Games	37.0	Mid/Late	MMO game/blockchain developer and blockchain economy solutions provider	USA
MCG	30 May 23	Madngine	22.6	Early	Mobile MMORPG games developer	South Korea
eSports	19 Apr 23	Goals	20.0	Early	Blockchain games developer	Sweden
Mobile	11 Apr 23	Mayhem Studios	20.0	Early	Mobile games developer	India
Mobile	17 Jun 23	Drest	19.2	Early	Fashion-focused mobile games developer	UK
Mobile	10 Jun 23	Skybound Entertainment	17.8	Other	Entertainment/comic books and mobile/PC/console games publisher	USA
Tech/Other	15 Jun 23	XAI	13.0	Early	Blockchain infrastructure provider and games developer	USA
AR/VR	29 Jun 23	VRFabric	11.4	Other	VR games developer and porting service provider	Poland
Tech/Other	06 Jun 23	Argus	10.0	Early	Blockchain games developer/publisher and engine provider	USA

\*From disclosed deals with values

Certain stages are consolidated for this report: Early Stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top Developer M&As by Value Q2 2023\*

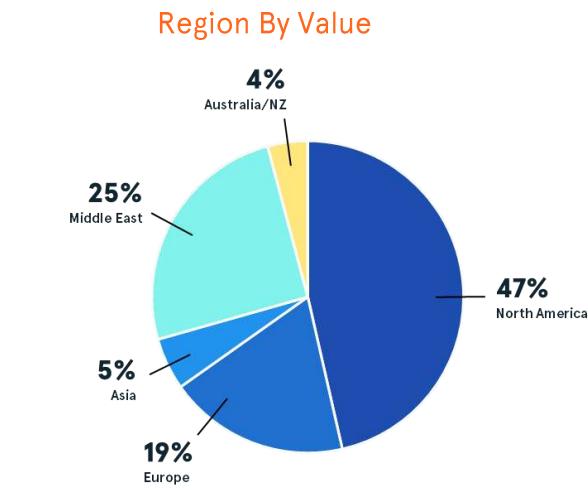
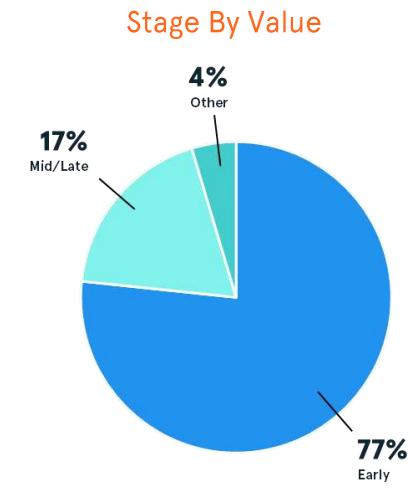
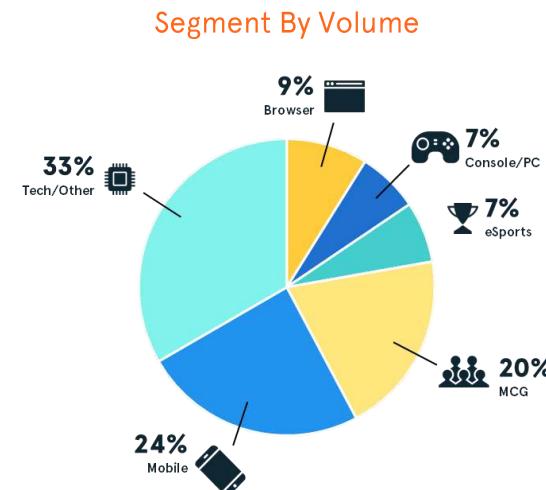
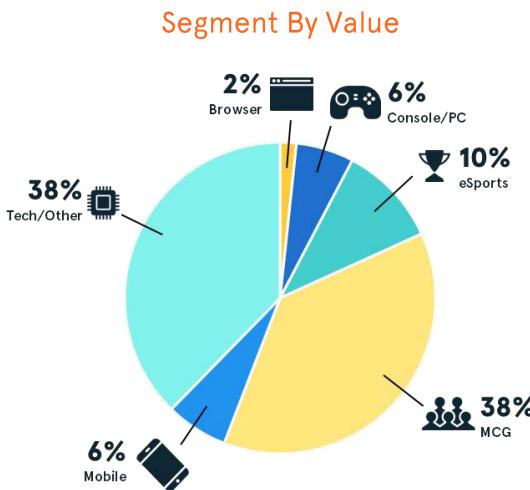
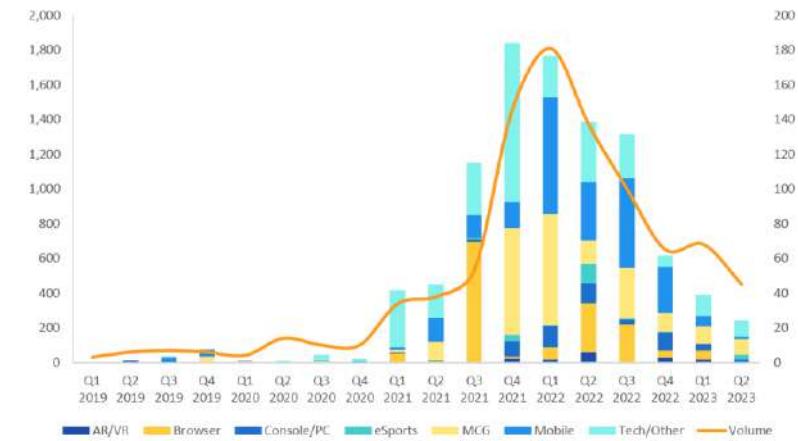
Category	Date	Company	Acquirer	Value (\$M)	Company description	Country
Console/PC	15 May 23	Night Dive Studios	Atari	19.5	Console/PC games and game engine developer	USA
Console/PC	11 May 23	Hardsuit Labs	Keywords Studios	15.0	Console games developer and service provider	USA
Console/PC	06 Apr 23	Nukklear	Jumpgate	7.1	Console/PC games developer and service provider	Germany
MCG	09 May 23	Melon	Super League Gaming	3.3	Roblox metaverse developer	USA

\*From disclosed deals with values



# Crypto Winter Adds Regulation Clamping Making Investors Nervous

- As if the prolonged crypto winter wasn't softening blockchain investments enough, the SEC clamping down on blockchain regulation caused investments to plummet even further to \$243.0M across 45 investments (a decrease of value 38% in value and 34% in volume compared to Q1's \$390.7M across 68 investments)
- Highest segment by value was led and tied by Tech/Other (38%) and MCG\* (38%), followed by eSports (11%), Mobile (6%), Console/PC (6%), and Browser (2%)
- Blockchain games and metaverse developer Everdome's \$50.0M early-stage investment was the largest blockchain investment and the largest of all investments for the quarter
- Transak's \$20.0M early-stage investment recorded over 17 investors, the most for blockchain and for the quarter
- Blockchain early-stage rounds totaled \$186.3M across 45 investments (77% of the value and 91% of the volume) while mid/late-stage rounds totaled \$45.5M across 3 investments (19% of the value and 7% of the volume)
- Series A rounds led the quarter by value totaling \$117.2M across 8 investments (48% of the value and 18% volume), while Seed rounds led the quarter by volume totaling \$65.0M across 18 investments (27% of the value and 40% of the volume)
- Highest region by value was led by North America (46%), followed by Middle East (25%), Europe (19%), Asia (5%), and Australia/New Zealand (4%)



\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.  
Early stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top 10 Blockchain Investments by Value Q2 2023\*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
MCG	25 Apr 23	Everdome	50.0	Early	Blockchain games and metaverse developer	UAE
MCG	27 Jun 23	Mythical Games	37.0	Mid/Late	MMO game/blockchain developer and blockchain economy solutions provider	USA
eSports	19 Apr 23	Goals	20.0	Early	Blockchain games developer	Sweden
Tech/Other	30 May 23	Transak	20.0	Early	Blockchain payments and onboarding infrastructure provider	USA
Tech/Other	15 Jun 23	XAI	13.0	Early	Blockchain infrastructure provider and games developer	USA
Tech/Other	08 Jun 23	HyperPlay	12.0	Early	Blockchain games platform provider	USA
Tech/Other	03 May 23	Super League Gaming	11.2	Other	Metaverse gaming content and marketing service provider	USA
Tech/Other	06 Jun 23	Argus	10.0	Early	Blockchain games developer/publisher and engine provider	USA
Console/PC	30 May 23	Illuvium	10.0	Early	Blockchain games developer	Australia
Tech/Other	15 Apr 23	MetaGravity	9.5	Early	Blockchain games infrastructure developer and provider	UK

\*From disclosed deals with values

Certain stages are consolidated for this report: Early Stage = Angel to Series A, Mid/Late Stage = Series B and later, Other = Grants, Crowdfunding, Initial Coin Offerings, IPO, and Post IPO



## Top Active Blockchain Investors (#1-5)

Polygon			
6 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
16.5	8.5	Early, Mid/Late	Tech/Other, Mobile
User-generated educational games platform developer <b>TinyTap</b> raised \$8.5M in a late-stage raise Blockchain game developer/publisher and service provider <b>Aether Games</b> raised \$4.5M by a combined equity and token financing Blockchain loot box platform developer <b>Loot Labs</b> raised \$1.5M in a pre-seed round			

Animoca Brands			
4 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
57.0	37.0	Early, Mid/Late	Mobile, MCG, Tech/Other
MMO game/blockchain developer and blockchain economy solutions provider <b>Mythical Games</b> raised a Series C round of \$37.0M Transak, a blockchain payments and onboarding infrastructure provider, raised \$20.0M in a Series A raise GOMBLE, a blockchain mobile games developer, completed a seed round			

Cogent Ventures			
3 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
16.8	9.5	Early	Tech/Other, Console/PC
MetaGravity, a blockchain games infrastructure developer and provider, raised \$9.5M in a seed round Blockchain game developer/publisher and service provider <b>Aether Games</b> raised \$4.5M by a combined equity and token financing Orbofi AI, an AI-driven blockchain games engine provider, raised \$2.8M in an early-stage raise			

Game7			
3 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
16.0	12.0	Early	Tech/Other, Mobile
HyperPlay, a blockchain games platform provider, raised a \$12.0M Series A round Openfort, a blockchain games infrastructure developer and service provider raised \$3.0M in a seed round Boomland, a blockchain games developer and publisher, raised \$1.0M in a pre-seed round			

Shima Capital			
3 Investments			
Q2 Round Total (\$M, USD)	Q2 Top Round Value (\$M, USD)	Stages	Top Segments
14.0	8.5	Early, Mid/Late	Tech/Other, eSports, Mobile
User-generated educational games platform developer <b>TinyTap</b> raised \$8.5M in a late-stage raise Blockchain eSports games developer <b>Pixion Games</b> raised \$5.5M in an early-stage round GOMBLE, a blockchain mobile games developer, completed a seed round			

We list the most active firms by deal volume as well as the total value of the disclosed investments in which they participated and top value for single deal. Further, our investment tracking focuses on deals that involve Western companies. As always, since announcements do not typically list the contribution breakdown by firm, we do not include a breakdown of how much is invested by each firm. Some transactions also may be repeated if multiple investors invested in the same round for the company.



## Top 5 New Funding Sources Announced Q2 2023\*

Announced Date	Firm	Fund/Program	Gaming Target or Focus	Fund Size (\$M)	Funding Stages
28 Jun 23	RTP Global	RTP IV	AI, media, entertainment, software, tech; previous mobile eSports investments	1,000.0	Early, Late
26 Apr 23	Greycroft	Two funds: Greycroft Partners VII, Greycroft Growth IV	Consumer, enterprise software, fintech, healthtech across the internet economy; previous browser, mobile, eSports investments	980.0	Early, Late
03 Apr 23	Kaszek Ventures	Two Funds: Kaszek Ventures VI, Opportunity-III (KVO-III)	\$540M for Kaszek Ventures VI and \$435M for Opportunity-III for fintech, enterprise/SaaS, and blockchain; previous mobile investment	975.0	Early, Late
04 May 23	HV Capital	Two funds: Fund IX Venture, Fund IX Growth	Fintech, consumer, education, healthcare, retail; previous mobile and backend tech investments	783.8	Early, Late
18 May 23	Matrix Partners	Fourth India Fund	Consumer, gaming, healthcare, tech; previous AR/VR, browser, eSports, MMO, Mobile developer, gaming tech and blockchain investments	525.0	Early

TOTAL RAISED FROM ALL Q2 ANNOUNCEMENTS (INCLUDING TOP 5)

7,800.1

- ▶ While the volume of new fund announcements has bounced back to record highs, Q2 confirms five quarters of declined capital raised by funds, dating back to 2022's Q1 of \$40.6B across 40 funds, signaling that although raises are happening, venture capital and private equity firms are having a hard time raising capital given market conditions
- ▶ This can be further supported as Q2 marked the first quarter in nearly two years where the quarter only had 1 fund that raised over \$1B, which was RTP Global's "RTP IV" fund
- ▶ New fund announcements in Q2 totaled over \$7.8B in new capital raised across 35 funds (full list available in the paid Q2 2023 report), a 19% decrease in value and 84% increase in volume compared to Q1 \$9.6B across 19 new funds
- ▶ While comparing year-over-year, Q2's \$7.8B raised across 35 funds is a drastic decline compared to Q2 2022's \$24.8B across 39 new fund announcements (a 69% decline in value and 10% of the volume)
- ▶ While blockchain is still obtaining interest from investors, Q2's \$1.7B across 10 funds resulted in a further decline in capital raised when compared to Q1's \$3.4B across 6 funds, showcasing that blockchain investors may be hedging their exposure during blockchain regulation uncertainty



## Industry Recap Q2 2023

New studios include [Absurd Ventures](#), [Blank](#), [College Rivals](#), [Cosmic Lounge](#), [Popularium](#), [Red Rover Interactive](#), [Roleverse](#), [Time To Kill Games](#), [Ukiyo Games Studio](#), and two studios with [unannounced names](#)

Developer expansions include [Cygames](#), [Krafton](#), [NetEase's Anchor Point Studios](#), [NetEase's Brain Game Studios](#), [NetEase's PinCool Inc.](#), and [Team17](#)

Developers [Ghost Ship Games](#), [OTK](#), [Player Two PR](#), and [Quantic Dream](#) move into publishing

Publisher expansions include [Bandai Namco](#), [Homa](#), [My.Games](#), and [Playdigious](#)

Service provider expansions include [Magic Media](#), [Virtuos](#), [Webedia](#), and [Mooncat Games](#)

Esports expansions include [Red Bull](#), [Team Liquid](#), and [The Global Esports Federation](#)

Gaming companies moving into hardware production include the [Embracer Group](#)

Companies that rebranded include [Astro & Blue](#) to [Logitech G](#), [Electric Noir Studios](#) to [Scriptic](#), [Hadi](#) to [Grand-Attic](#), [Hi-Rez Studios](#) to [Hi-Rez Ventures](#), [Jackalope Games](#) to [Jackalyptic Games](#), [Los Grandes](#) to [LOS](#), [The Video Standards Council](#) to [Games Rating Authority](#), and [WePlay Esports](#) to [WePlay Studios](#)

Events, companies and content creators for charitable causes include [GamesAid](#), [Green Game Jam](#), [Skillshot Media](#) & [Ghost Gaming](#), and [Summer Games Done Quick](#)

Companies battling climate change include [FunPlus](#), [Logitech & iFixit](#), [Playtika](#), [Sankari Studios](#), and [Xbox](#)

Unions forming at [Bandcamp](#) and [SEGA](#)

Companies under fire for unionization tampering include [Activision Blizzard](#), [Epic Games](#), and [Sega](#)

Companies with legal battles include [Glowstick Entertainment](#), [Ironmace](#), [LaviCheats](#), [Meta](#), [Microsoft](#), [NetEase](#), [Nintendo](#), [SM2](#), [Ravensburger](#), [Valve](#), [VersusGame](#), and [VeteranCheats](#)

Companies and games facing hacks, fraud or exploits included [Bungie](#), [Call of Duty](#), [Meta](#), [MSI](#), [Nintendo](#), [Star Wars Jedi Survivor](#), [Unity](#), and [ZeniMax](#)

\*Some headlines in the video game industry in addition to the Highlights slides – by no means exhaustive!



## Industry Recap Q2 2023

Game sales include Ancestors: The Humankind Odyssey [1.5M](#), Capcom titles [500M](#), Dead Cells [10M](#), Dead Island [1M](#), Dragon Ball FighterZ [10M](#), Dragon Ball, Final Fantasy Pixel Remaster [2M](#), Final Fantasy XVI [3M](#), Horizon Franchise [33M](#), Octopath Traveler 2 [1M](#), MegaMan Battle Network Collection [1M](#), Metroid Prime: Remastered [1M](#), Resident Evil 4 Remake [4M](#), Resident Evil Village [8M](#), Street Fighter Series [50M](#), The Legend of Zelda: Tears of the Kingdom [10M](#), TMNT: The Cowabunga Collection [1M](#), and Witcher 3 [50M](#)

Registered players milestones include Against the Storm [1M](#), Battle Stars [2M](#), Ghostwire: Tokyo [5M](#), Power Washer Simulator [7M](#), Scorn [2M](#), Street Fighter 6 [1M](#), and Tchia [1M](#)

Games sales revenues include Hogwarts Legacy [\\$1B](#) and War Robots [\\$750M](#)

Download and install milestones: Bleach: Brave Souls [75M](#), CrazyLabs [6B](#), Critical Strike [90M](#), Minion Rush [1B](#), Merge Mansion [35M](#), NFL Rivals [1M](#), Rush Royale [63M](#), Pokémon Masters EX [50M](#), and Weapon Craft Run surpasses [2M](#)

Game and company anniversaries include Angry Birds Friends [10<sup>th</sup>](#), Capcom [40<sup>th</sup>](#), Farming Simulator [15<sup>th</sup>](#), Lilith Games [10<sup>th</sup>](#), My.Games [4<sup>th</sup>](#), Netspeak Games [4<sup>th</sup>](#), Ni No Kuni: Cross Worlds [1<sup>st</sup>](#), Returnal [2<sup>nd</sup>](#), Rusty Lake [8<sup>th</sup>](#), The Last of Us [10<sup>th</sup>](#), TibiaME [20<sup>th</sup>](#), Top Drives Franchise [5<sup>th</sup>](#), War Robots [9<sup>th</sup>](#), WePlay Esports Arena Los Angeles [1<sup>st</sup>](#), and World War Armies [1<sup>st</sup>](#)

Game cancelations include [Halo Infinite \(Cut Scenes\)](#), [Marvel's Midnight Suns \(Switch\)](#), [Nintendo Emulator](#), [Pokémon Trainers Cup \(eSports Tournament\)](#), [Star Wars: Knights of the Old Republic 2 DLC \(Switch\)](#), [Undead Clash](#), and [Xbox Emulators](#)

Game delays include [Amnesia: The Bunker](#), [Cricket 24](#), [Front Mission 2: Remake](#), [Hogwarts Legacy \(Switch\)](#), [Homeworld 3](#), [Immortals of Aveum](#), [League Championship Series](#), [Pragmata](#), [Take-Two Interactive](#), and [The Last of Us Multiplayer](#)

Server shutdowns include [Blaseball](#), [Bravely Series \(Nintendo 3DS & Wii U\)](#), [Call of Duty: Warzone Caldera](#), [Deams \(Updates\)](#), [Forza Horizon 1 & 2](#), [Friday The 13th \(Digital/Physical Copies\)](#), [Heardle](#), [Hyper Front](#), [Pac-Man 99](#), [Roots of Pacha](#), [Shift](#), [Soul Calibur](#), and [The Cycle: Frontier](#)

[Elden Rings](#) received a Nebula Award for Best Game Writing

[The World Video Game Hall of Fame](#) inducted The Last of Us and Wii Sports

[Unity](#) won Best Game Engine/Platform, Best Tool Provider, and Best Advertising & UA at 2023 Mobile Pocket Gamer Awards

\*Some headlines in the video game industry in addition to the Highlights slides – by no means exhaustive!



## Highlights

### Gaming Revenues Mostly Up Amidst Challenges

Over the last year, the gaming industry has been hindered from fears of an economic recession, continued hike rates from the Federal Reserve, collapses of several banks and venture capital funds, and cryptocurrency regulation lawsuits. Despite these obstacles, gaming revenues are mostly up:

- ▶ [Activision Blizzard Q1 +35% YoY](#)
- ▶ [AppLovin Q1 +14% YoY](#)
- ▶ [Azerion Q1 +19% YoY](#)
- ▶ [Bandai Namco FY +11% YoY](#)
- ▶ [Capcom FY +14% YoY](#)
- ▶ [\*\*CD Projekt Group Q1 -19% YoY\*\*](#)
- ▶ [Electronic Arts FY +6% YoY](#)
- ▶ [Embracer Group FY +121% YoY](#)
- ▶ [\*\*FaZe Holdings Q1 -21% YoY\*\*](#)
- ▶ [Flexion Q1 +54% YoY](#)
- ▶ [GameSquare Q1 +0% YoY](#)
- ▶ [Guild Esports H1 +241% YoY](#)
- ▶ [\*\*Huuuge Q1 -15% YoY\*\*](#)
- ▶ [Koei Tecmo FY +8% YoY](#)
- ▶ [Krafton Q1 +3% YoY](#)
- ▶ [Mag Interactive Q3 +16% YoY](#)
- ▶ [Meta Q1 +3% YoY](#)
- ▶ [Microsoft Q3 +7% YoY](#)
- ▶ [NetEase Q1 +6% YoY](#)
- ▶ [Netflix Q1 +4% YoY](#)
- ▶ [\*\*Netmarble Q1 -5% YoY\*\*](#)
- ▶ [Nexon Q1 +36% YoY](#)
- ▶ [\*\*OverActive Media Q1 -23% YoY\*\*](#)
- ▶ [Rivalry Q1 +151% YoY](#)
- ▶ [Roblox Q1 +22% YoY](#)
- ▶ [\*\*Rovio Q1 -11% YoY\*\*](#)
- ▶ [Sea Group Q1 +5% YoY](#)
- ▶ [Sony FY +16% YoY](#)
- ▶ [Stillfront Group Q1 +5% YoY](#)
- ▶ [\*\*Square Enix FY -6% YoY\*\*](#)
- ▶ [Take-Two Interactive FY +53% YoY](#)
- ▶ [Tencent Q1 +11% YoY](#)
- ▶ [\*\*Ten Square Games Q1 -22% YoY\*\*](#)
- ▶ [Thunderful Q1 +2% YoY](#)
- ▶ [\*\*Ubisoft FY -15% YoY\*\*](#)
- ▶ [Unity Q1 +56% YoY](#)

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## Highlights

### Expenses Squeezed as Revenues Increase

While most of the games industry experienced financial growth, expenses appear to have been squeezed as Q2 headlines were flooded with studios announcing closures, layoffs and restructuring processes:

- ▶ [All In! Games](#)
- ▶ [Chengdu Hunters](#)
- ▶ [EPIC.LAN](#)
- ▶ [Kabam](#)
- ▶ [Phoenix Labs](#)
- ▶ [Ten Square Games](#)
- ▶ [Amazon](#)
- ▶ [Copenhagen Flames](#)
- ▶ [Firaxis Games](#)
- ▶ [Kiloo](#)
- ▶ [Plaion](#)
- ▶ [The Game Band](#)
- ▶ [Antimatter Games](#)
- ▶ [Counter Logic Gaming](#)
- ▶ [Firemonkeys Studio](#)
- ▶ [Meta](#)
- ▶ [Scavengers](#)
- ▶ [Tricked Esport](#)
- ▶ [BioWare](#)
- ▶ [CyberConnect2](#)
- ▶ [Gfinity](#)
- ▶ [Molasses Flood](#)
- ▶ [Sega](#)
- ▶ [Ubisoft](#)
- ▶ [BonusXP](#)
- ▶ [Deck Nine Games](#)
- ▶ [Hi-Rez Ventures](#)
- ▶ [Niantic](#)
- ▶ [Sony](#)
- ▶ [Unity](#)
- ▶ [Brace Yourself Games](#)
- ▶ [Deviation Games](#)
- ▶ [InnoGames](#)
- ▶ [Nifty Games](#)
- ▶ [Talenthouse](#)
- ▶ [Vanpool Studio](#)
- ▶ [CD Projekt Red](#)
- ▶ [Embracer Group](#)
- ▶ [Inverse](#)
- ▶ [Parabellum Esports](#)
- ▶ [Team LDLC](#)
- ▶ [Wisdom Gaming](#)

\*Some headlines in the video game industry in addition to the Highlights slides – by no means exhaustive!



## Highlights

### Microsoft Steps Closer to Acquiring Activision Blizzard

- ▶ The FTC's final appeal was [denied](#) after Microsoft's win in the [FTC anti-trust case](#), enabling Microsoft's \$68.7B acquisition of Activision Blizzard to be [approved](#) in the US
- ▶ Notable court findings:
  - ▶ Xbox acquired [Bethesda](#) after hearing Starfield would be a PlayStation exclusive
  - ▶ Microsoft has considered [acquiring](#) Bungie, IO Interactive, Niantic, Playrix, Scopely, Sega, Supergiant Games, Square Enix, Thunderful, and Zynga to fill gaps in portfolio
  - ▶ Call of Duty US Sales generated over [\\$800M](#) in revenue for Sony PlayStation
  - ▶ Microsoft did not publish [Minecraft](#) PS5 version because Sony won't send Microsoft PS5 developer kits
  - ▶ Over 1M Microsoft [documents](#) were observed, and none showed Xbox has any ambitions on taking Call of Duty exclusive
- ▶ 6 new regions have approved the deal: [China](#), [Europe](#), [South Africa](#), [South Korea](#), [Türkiye](#), [Ukraine](#)
- ▶ Microsoft signs 10-year [Call of Duty](#) deal with Sony PlayStation after US court ruling
- ▶ Activision Blizzard stock will be delisted from [Nasdaq-100](#) ahead of Microsoft
- ▶ Microsoft considers the sale of several [cloud](#) businesses to appease regulators, whilst the UK CMA's final [decision](#) will be announced on August 29<sup>th</sup>
- ▶ Microsoft and Activision extend the acquisition [deadline](#) to October 18, in which if not completed, Microsoft will have to pay the \$4.5B termination fee
- ▶ 22 Republicans in the [US House of Representatives](#) urge the FTC to drop its legal battle with Microsoft
- ▶ [US Supreme Court](#) denies a gamer lawsuit to halt Microsoft acquisition

\*Some headlines in the video game industry in addition to the Highlights slides – by no means exhaustive!



## Highlights

### Blockchain Slammed by Regulations Making Blockchain Game Investors Flee

- ▶ Blockchain [companies](#) and [investors](#) are fleeing the US as the SEC files action lawsuits against [Binance](#) and [Coinbase](#) amid regulation uncertainty for cryptocurrency and blockchain technology
- ▶ The Nasdaq announced they have halted all plans to launch a [crypto custody service](#), which would enable traders to hold their own crypto on the exchange
- ▶ [The US Chamber of Commerce](#) announce their displeasure with the SECs blockchain regulation efforts, calling it "haphazard, enforcement-based approach"
- ▶ [The Big Blockchain Games List](#) committee who tracks all the biggest blockchain games currently in development, uncovered that 248 games are now defunct
- ▶ [The Epic Games Store](#) now lists 18 blockchain games
- ▶ Polygon has emerged as the most [popular](#) platform for blockchain games as it overtakes BNB and Solana
- ▶ A [PwC](#) study uncovered that US cryptocurrency investments from traditional hedge funds decreased 37% YoY and 12% of those funds are considering relocating due to regulation turbulence
- ▶ [Kuwait](#) bans blockchain investments, payments, and mining to combat money laundering
- ▶ Binance exits [Canada](#) as regulation tensions increase from the Canadian Securities Administrators (CSA)
- ▶ Ripple's XRP deemed not a [security](#) gives a massive blow to SECs crypto [regulation](#) efforts
- ▶ Blockchain [developers](#) and talent pool in the US has decreased 2% each year since 2017, while India, Africa, and LATAM on the rise
- ▶ A study by the [Pew Research Center](#) found that 75% of Americans aren't confident in the safety and reliability of cryptocurrency
- ▶ Bitcoin dips below [\\$29K](#) after hitting a one-year high at [\\$31K](#)

\*Some headlines in the video game industry in addition to the Highlights slides – by no means exhaustive!



## Highlights

### Chinese Games Market Struggles as New Game Licenses Already Surpasses 2022

- ▶ Chinese game [sales](#) decreased 7% YoY to 23B CNY in May, continuing a three-month decline
- ▶ Chinese regulators granted new gaming licenses during April ([86](#)), May ([86](#)), June ([89](#)), making 2023 already [surpass](#) 2022's game licenses approved
- ▶ Tencent and NetEase accounted for 80% of [The Top 10 Chinese](#) video game developer's revenue in Q1 2023
- ▶ Tencent looking to invest or acquire [European](#) game studios, as political [tensions](#) increase within [China](#) and the US over investments and acquisitions
- ▶ The Beijing Municipal Science & Technology Commission, Administrative Commission of Zhongguancun Science Park released an Internet 3.0 or Web3 [white paper](#) signaling a positive direction towards blockchain adoption in China
- ▶ China's largest tech companies have lost over \$300B in [market value](#) since start of pandemic

### IPs Continue to Expand Audiences

- ▶ New movie adaptations announced: [Street Fighter](#)
- ▶ New animated series or TV series adaptations announced: [Among Us](#), [Angry Birds](#), [Dead Cells](#), [Knuckles](#), [Space Marshals](#), and [Vampire Survivors](#)
- ▶ New tabletop adaptations: [Apex Legends](#), [Call of Duty](#), and [Citizen Sleeper](#)
- ▶ Other adaptations announced: [Dungeons & Dragons](#) (a television channel), [Star Wars Jedi: Survivor](#) (an art book) [Talon Esports/United Esports](#) (a music album), and [The Last of Us](#) (a haunted house)
- ▶ The Super Mario Bros. movie officially hits [\\$1B](#) milestone at the global box office

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## Highlights

### AI in Games: The New Wave with Legal Complications

- ▶ Companies embracing AI: [Buildbox](#), [Cyan Worlds](#), [EnseñaSoft](#), [FIFA](#), [Google](#), [Hidden Door](#), [Hoyoverse](#), [Krafton](#), [Meta](#), [Move](#), [Nvidia](#), [Nordeus](#), [Roblox](#), [Streamlabs](#), [Tencent](#), [YAHAVA](#), and [Unity](#)
- ▶ While the sentiment towards AI in games are overwhelmingly positive, [André Schenini Moreira](#) and [Konstya Lobov](#) raise the alarms on the legal complications for incorporating AI in games
- ▶ To combat against AI intellectual property piracy, [Valve](#), the largest distributor of online games, is approaching AI with caution
- ▶ China and the US are competing for [AI investments](#), with the US leading but China's gaining ground
- ▶ While [EA](#) explains that AI in games will not replace top talent, it appears other studios are not as compassionate as [game illustrators](#) and [actors](#) are losing their jobs
- ▶ Roblox announces 41% of beta users who are creating experiences on their platform are using [Roblox's AI Code Assist](#)
- ▶ A [HypeFactory](#) study found that 40% of gaming content creators are currently using AI in their work

### Saudi Arabia Gaming Hub Starting to Take Shape

- ▶ [The Public Investment Fund](#) (PIF), a sovereign wealth fund of Saudi Arabia, announced they will be focusing more on game development and publishing investments and acquisitions in 2023
- ▶ Savvy Games Group \$4.9B acquisition of [Scopely](#) officially closed
- ▶ While Saudi Arabia's government has been known for its [controversies](#), The Public Investment Fund and its subsidiary, Savvy Games Group are working to [reshape](#) Saudi Arabia's image and economic diversification
- ▶ The Public Investment Fund acquired over 8M [Electronic Arts](#) shares in Q1 2023 increasing their ownership to around 9%
- ▶ Saudi Arabia Holding Co. announced they are building a [\\$500M](#) eSports city in Riyadh, which will be completed in 2024
- ▶ The [Saudi Esports Federation](#) and [Gamers8](#) launch the largest prize pool in history at a combined \$50M for eSports organizations competing at the Saudi Esports Federation-run festival

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## Highlights

### Embracer Group's Halt in Acquisitions Sends Ripples Throughout Industry

- ▶ Embracer Group's growth through [acquisition](#) strategy has come to a [halt](#) as the CEO announced a [restructuring](#) program just shortly after Embracer announced a \$2B deal that fell [through](#) within their Q1 2023 report
- ▶ DDM tracked Embracer Group making 27 games related acquisitions in 2021, 16 in 2022, and only 1 YTD in 2023, showcasing a significant drop off from their usual pace
- ▶ An "Embracer Effect" has sent ripples throughout the industry as Embracer owns so many developers and publishers that there has been cautious sentiment of investments or signed projects
- ▶ Notable 2023 acquisition: [Capture Dimensions](#), a 3D scanning and capture service provider was acquired by Embracer Group subsidiary Gearbox Entertainment (terms not disclosed) (1/4/23)
- ▶ Notable 2022 acquisition: [Asmodee](#), a tabletop games developer and publisher for \$2.9B (3/8/22)
- ▶ Notable 2021 acquisition: [Gearbox Entertainment](#), a console/PC games developer and publisher for \$1.3B (4/6/21)

### Is AR/VR Too Dependent on Tech Companies or Can It Be Mass Adopted?

- ▶ Meta announced the [Quest 3](#) for \$500 while Apple finally unveiled their long-rumored technological leap [Apple Vision Pro](#) headset for \$3,500
- ▶ While the games industry [reacted](#) to the Apple Vision Pro's "iPhone" moment, many [speculate](#) if this headset can be [mass adopted](#) at that the \$3,500 price point, especially if the Meta Quest, the cheaper alternative, is having trouble [keeping consumers](#) use their headset past a few weeks
- ▶ Apple being [selective](#) on sending Apple Vision Pro developer kits to those only in the Developer program and plans to carefully roll-out the headsets by [appointment-only](#)
- ▶ Meta [announced](#) their Quest headsets have received over 20 new games while CEO [Mark Zuckerberg](#) chimed in his rection of the Apple Vision Pro showcasing he believes Meta and Apples goals are different stating it "could be the vision of the future of computing, but it's not the one I want"
- ▶ Xbox Head of Game Studios [Matt Booty](#) states they are "waiting for an audience" before getting into AR/VR gaming as [Google](#) reportedly shutters its AR glasses project

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## Highlights

### Gaming Regulations Come as Investors Interested in India

- ▶ [Google](#) and [Amazon](#) announced separate plans to invest in India's tech space, \$10B and \$15B respectively
- ▶ These commitments come at a time where India announces a plethora of new regulations towards gaming including:
  - ▶ [Banning](#) games involving betting, user harm, and gambling
  - ▶ Companies will now have to form [regulatory bodies](#) to confirm they are operating legally
  - ▶ Online games companies who include [wagers](#) will be given a indirect [28% tax](#)
- ▶ Investors such as [Peak XV](#), Tiger Global, DST Global, Steadview Capital and many others have asked Prime Minister Narendra to reconsider the new regulations as it cripples their portfolio and will directly lead to layoffs
- ▶ After geo-political tensions between China and India, [Undawn](#) has finally been able to become available to play in India after the game has been listed through a Singapore based Tencent subsidiary Level Infinite

### Big Quarter for Gaming Hardware Announcements and Updates

- ▶ [Sony](#) announces the PS5 will surpass the PS4 by year end as they have beaten expectations with over [19M](#) PS5s sold in Q1 and over 38M total since 2020
- ▶ Sony also reveals they have been developing a PS5 Handheld named "[Project Q](#)" which allows consumers to stream PS5 games to an 8-inch 1080P resolution handheld at 60hz
- ▶ Xbox confirmed their [claims](#) of losing the console wars by announcing they have sold a total of [21M](#) with a continued [30%](#) and [15%](#) YoY decline in hardware sales in their two latest financial reports
- ▶ Xbox also [announced](#) they have no plans to produce a new mid-cycle hardware update Xbox, at least at this time
- ▶ Nintendo partnered studios [reportedly](#) have new next-gen console developer kits and is rumored to be a H2 2024 release
- ▶ Asus revealed the [Asus ROG Ally](#), a new handheld PC with a Windows 11 operating system supporting 1080P resolution with 120Hz refresh rate
- ▶ Nvidia unveils three new [4000](#) series GPUs: the 4060 8G, 4060 Ti 8G, and the 4060 Ti 16G

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## Notable Transactions & Announcements

We also monitor announced transactions that will affect future quarters as well as ones considered “adjacent” to the games industry, and these values are not included in our preceding sections to present a clear landscape of transactions officially settled for the quarter. Notable/adjacent transactions and announcements in addition to the well-covered Microsoft/Activision Blizzard acquisition include:

Video gaming transactions with a future impact:

- ▶ Savvy Games Group's \$4.9B acquisition of mobile games developer and publisher [Scopely](#) officially closed in July (Q3)
- ▶ Sega's \$776.0M acquisition of mobile games developer [Rovio](#) is expected to close in Q3 2023

Adjacent transactions with no impact on report:

- ▶ Blockchain infrastructure provider [Layer Zero's](#) \$200.0M Series B funding at a \$2.0B valuation from over 27 different investors
- ▶ E-commerce provider [Glory Star New Media Group's](#) \$60.0M Post IPO Equity selling 24,193,548 shares at \$2.48/share to two investors
- ▶ Holographic software developer and hardware provider [Light Field Labs'](#) \$50.0M Series B raise from NCSoft, Corning, Gates Frontier, LG Tech Ventures, Otoy, Khosla Ventures, Samsung, Verizon, Bosch, Forvia, Liberty Global, and Taiwania Capital
- ▶ Cloud-based infrastructure service provider [Render Network's](#) \$50.0M Series B funding from Bessemer Venture Partners, Addition, General Catalyst, and South Park Commons
- ▶ Combat sports league and event organizers [Karate Combat's](#) \$18.0M early-stage funding from BITKRAFT Ventures, Alpha Wave Global, Delphi Digital, The Operating Group, HashKey Group, Lattice Capital, M13, Contango Digital Assets, Blockchain Coinvestors, and many others





## H2 2023 Outlook

### H1 2023 Weakest Since 2016

- ▶ The first half of 2023 was down significantly compared to recent years; in fact, the low performance of a similar half-year had not been recorded since H1 2016
- ▶ For the first half of 2023, investments totaled \$1.7B across 274 transactions (a decrease of 83% in value and 53% in volume compared to the first half of 2022 with a value of \$9.8B across 583 investments)
- ▶ H1 2023 M&As totaled \$0.7B across 72 deals (a decrease of 98% in value and 55% in volume compared to H1 2022's \$29.0B across 160 transactions)
- ▶ Despite the number of IPOs for the first half of the year being higher than pre-covid levels, market capitalizations are remarkably down with IPOs being driven by small companies on foreign stock exchanges

### H2 2023 Shaping to Be Record Breaking

- ▶ Microsoft's \$68.7B acquisition of Activision Blizzard will receive its final verdict from the [UK Competition and Markets Authority](#) on August 29<sup>th</sup>, and if approved, the deal will close by [October 18<sup>th</sup>](#), recording the second-best year in games industry from that transaction alone
- ▶ The Saudi Arabian Government, The Public Investment Fund (PIF), and their subsidiaries will continue to have an enormous impact on future quarters as their \$38.7B [Video Gaming Hub](#) starts to form while they reshape Saudi Arabia's image and economic diversification
- ▶ Savvy Games Group officially acquired [Scopely](#) for \$4.9B at the beginning of Q3, making Q3 a higher quarter value than Q1 and Q2 combined
- ▶ Sega's \$776.0M acquisition of [Rovio](#) has now received all [regulatory approvals](#) for the acquisition and is expected to close in Q3 of 2023
- ▶ While Chinese and the US have geopolitical [tensions](#) on rise regarding investments, [Tencent](#) announced they are actively looking for European game studios to acquire or invest in
- ▶ [Square Enix](#) announced in their 2022 earnings report that they are considering growth through acquisitions and or looking to make minority investments



## Methodology

In reporting our values, we only include deals that the investment or acquisition closes, not simply announced. This methodology has been used consistently with our data for 14 years and it ensures that we are measuring actual activity instead of potential activity.

Additionally, with SPACs we consider the investment value to be what was raised in the transaction, not the company valuation afterward. This is consistent with how we track investment data, where we track the money raised in the transaction and, separately, its effect on the company's overall enterprise value.

The exclusion of announced deals may result in a large difference between our quarterly total and other firms, but our methodology gives a clearer picture of the money deployed in the last quarter, providing valuable data consistency for companies evaluating game industry investment and acquisitions. Keep an eye on our reporting to see the accounting of completed deals and you'll know if and when our industry achieves amazing landmarks.

# Contact



**DIGITAL  
DEVELOPMENT  
MANAGEMENT**

## GIR Team

Peggy Twardowski, Mitchell Reavis,  
Katie Williams

## EMAIL

[data@ddmagents.com](mailto:data@ddmagents.com)

## Digital Development Management

PO Box 180  
Northampton, MA 01061-0180

[www.ddmagency.com](http://www.ddmagency.com)

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