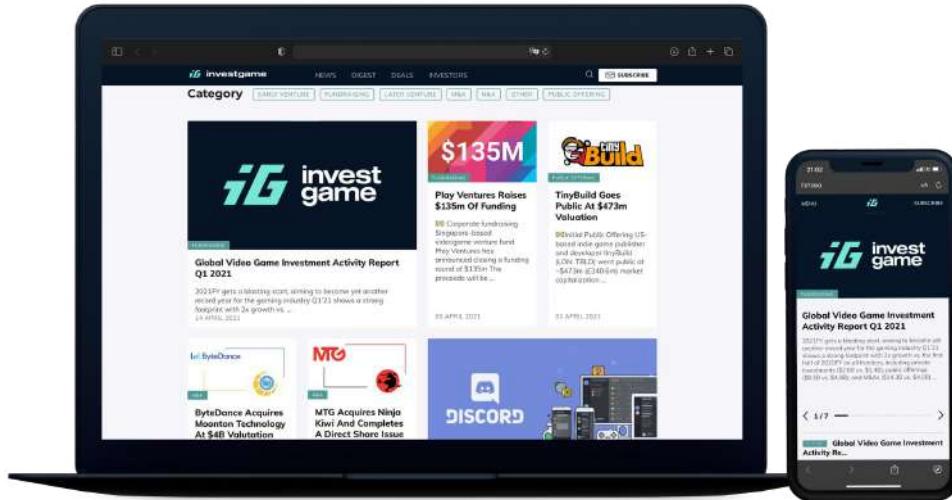


Global Video Game Deals Report Q1 2021

Yet another record year ahead



Executive Summary Q1'21

- 2021FY gets a blasting start, aiming to become yet another record year for the gaming industry
- **Q1'21** shows a strong footprint with **2x growth vs. the first half of 2020FY** on all frontiers, including private investments (**\$2.6B** vs. \$1.4B), public offerings (**\$8.3B** vs. \$4.9B), and M&As (**\$14.3B** vs. \$4.0B)
- **249 deals** have been closed in Q1'21 with the total value of **\$25B**, plus **over 30 transactions** have been announced but not yet closed, leading to the total **deal value of \$39B for announced and closed deals**
- Among Q1'21 closed deals, 57% of deal value is contributed by M&A (**78 transactions**), with public offerings coming second (**36 deals** accounting for 33% of deal value), and private investments shutting down the top with **135 deals** representing 10% of deal value
- The **\$2.6B** shown by the private placements is the segment record, with the **late-stage transactions** accounting for **73%** of total value – Roblox being the biggest deal here with **\$520m** raised in pre-IPO round
- Public offerings also achieved record numbers, with **36 closed deals** in Q1'21, accounting for **\$8.3B**, providing **+29x YoY** deal value growth with 3x increase in number of closed transactions
- However, M&A transactions propelled the biggest growth for the industry deals market, with the **outstanding \$14.3B deal value**, resulting in a **5.9x deal value growth YoY**, and **+56% deals number growth YoY**
- Over **\$0.9B** of capital was raised across **9 gaming-focused VC funds** over the last 9 months, with BITKRAFT continuing to lead the chart and participating in 10 deals, leading 3 of them, and **\$160.5m** of disclosed deal value
- **Tencent** and its subsidiaries are once again at the top of the ranks with corporate investments and focus on PC&console, closing a total of **35 deals**, including investments in Mundfish, Dontnod, and Bohemia Interactive
- The combined disclosed deal value of top-5 strategic investors (Tencent, Microsoft, Embracer, EA, ByteDance) accounted for **\$10.5B** or about **53%** of top-15 strategics' announced deal value
- *The free version of the report includes general industry data + Gaming segment stats. To get the data on Platform&Tech, and Esports deals data, please contact us at digest@investgame.net*

\$25B
value of 249 closed
transactions

\$39B*
value of 280 announced
and closed deals

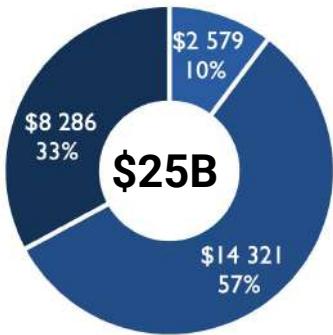


General

iG **invest game**

Q1'21 Total Deals Tracked

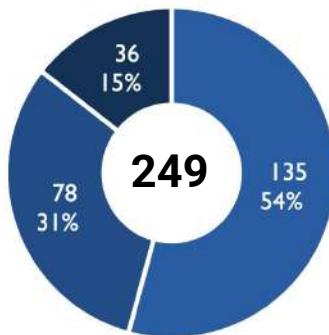
Value of Closed Deals, \$m



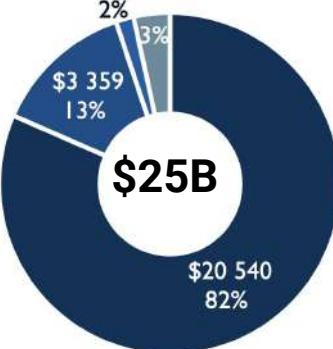
By Deal Type

- Private Investments
- M&A
- Public offerings

Number of Closed Deals



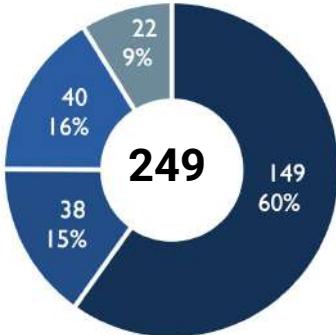
Value of Closed Deals, \$m



By Target Segment

- Gaming
- Platform&Tech
- Esports
- Other

Number of Closed Deals



ZeniMax®
MEDIA INC. ROBLOX



MOONTON



Transactions Activity Q1'21 vs. H1'20

- Q1'21 jumpstarts with a shattering **2x growth** compared to **H1'20** (\$25B vs. \$10B of closed deals) on all frontiers
- The **core growth drivers** of investment activity in Q1'21 were **M&As** and **public offerings**
- The biggest contributor to M&As value growth is **ZeniMax \$7.5B deal**, which was announced in Sep'20 and closed in Mar'21
- Judging by the first three months of 2021, the year is set to become **yet another record one** for the gaming industry

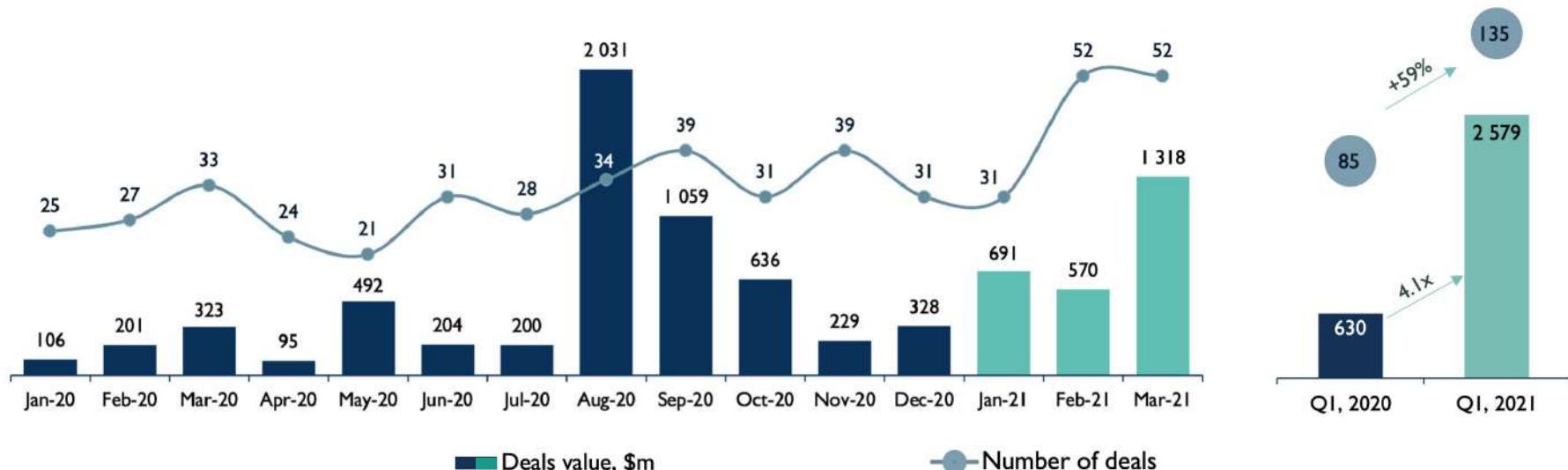
H1'20 vs. Q1'21 Comparison by Deal Type



Private Investment Activity Q1'21 vs. Q1'20

- In Q1'21, investors deployed **record \$2.6B** into gaming companies via **private placements** (VC and corporate investment transactions), with the number of deals showing consistent growth since the beginning of the year, and being higher than in any quarter of 2020
- As usual, **late-stage transactions** were the **primary driver** of private investments accounting for **73% of total value**, with the most impactful deals being Roblox (\$520m), Dream Sports (\$400m), and Dapper Labs (\$305m)

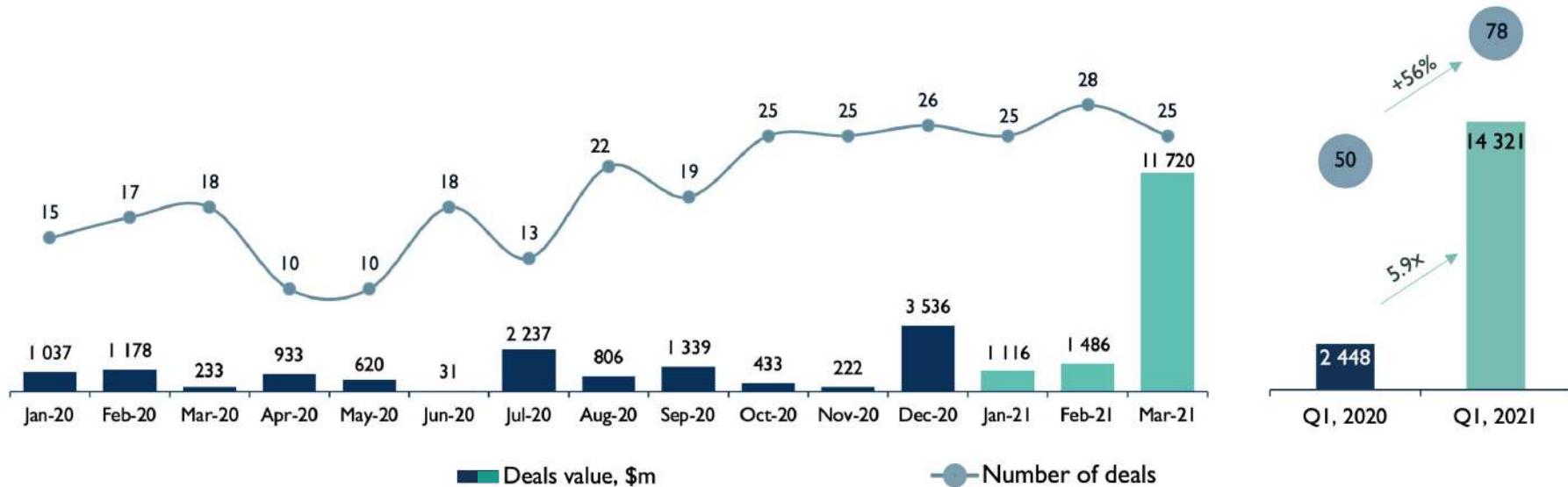
Private Investments in the Video Game Industry



M&As Activity Q1'21 vs. Q1'20

- M&A activity **skyrocketed** in Q1'21, supported by closing of such mega-deals as **ZeniMax, Moonton, and Codemasters**
- There are **multiple ongoing mega-deals** that have been announced in Q1'21, including Glu Mobile, Gearbox (closed in April), and Adjust
- Gaming segment remains the largest driver of M&As, accounting for **99.8% of total value** and over **65% of number of deals**

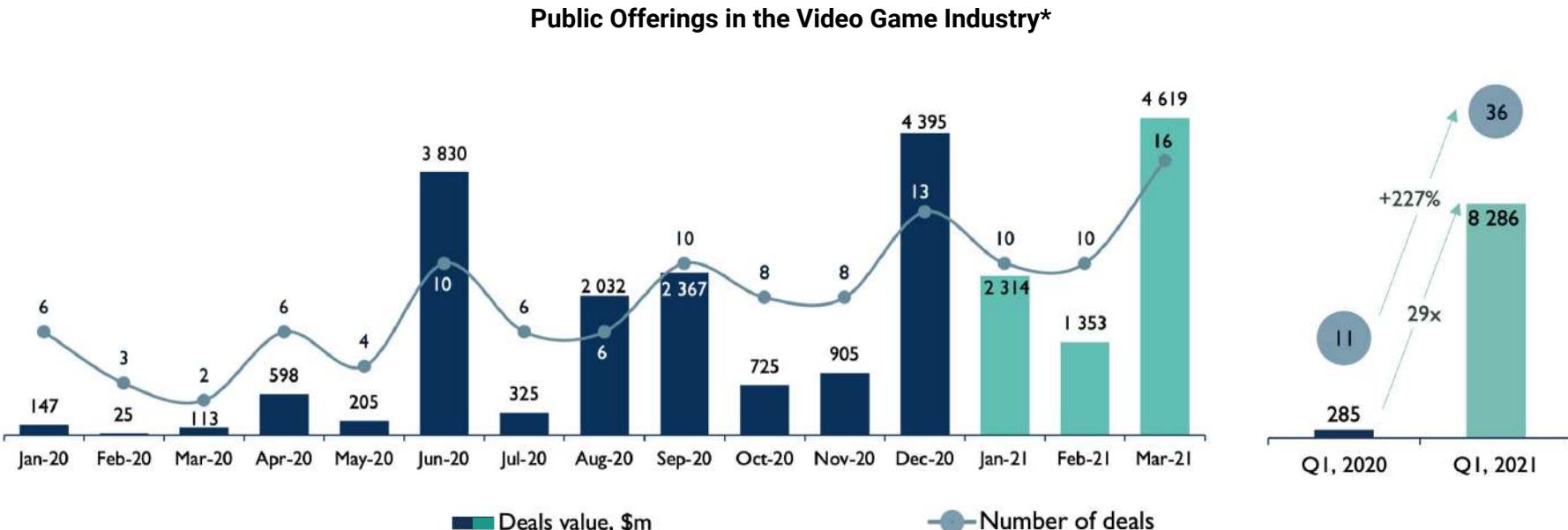
M&As in the Video Game Industry*



Note: (*) only closed deals are reflected in the graphs (excl. Glu Mobile, Gearbox, Adjust, and other deals in process)

Public Offerings Activity Q1'21 vs. Q1'20

- Overall, public offerings demonstrated a stunning deal value of **\$8.3B**, leading to **+29x YoY growth** with **3x number of closed transactions**
- Public exits reached **record highs** with 8 public listings in **Q1'21** and the biggest contributors being Playtika, Huuuge Games, and tinyBuild
- Several notable **de-SPAC transactions** (ironSource, PlayStudios, Nexters) have been announced, but not yet closed
- One **noteworthy trend** here is that **IPOs and de-SPACs** are getting **more and more popular**, supported by strong public markets valuations



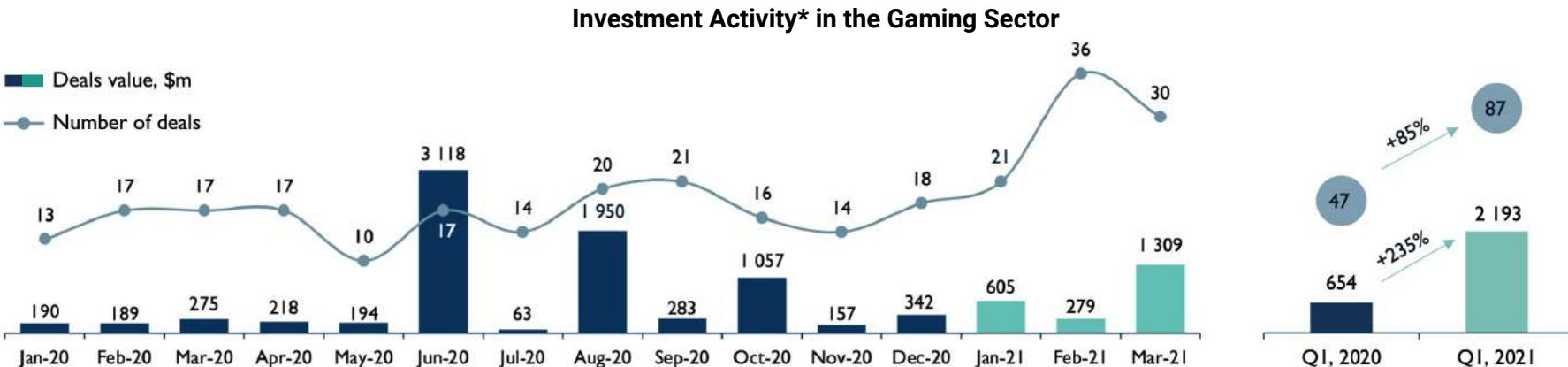
Note: (*) only closed Q1'21 deals are reflected in the graphs (excl. ironSource, Playstudios, Nexters, and other deals in process, as well as AppLovin closed in Apr'21)



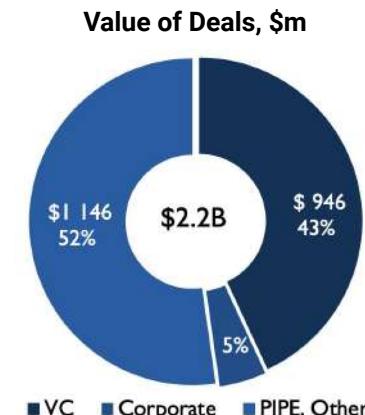
Gaming

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Gaming: Investment Activity

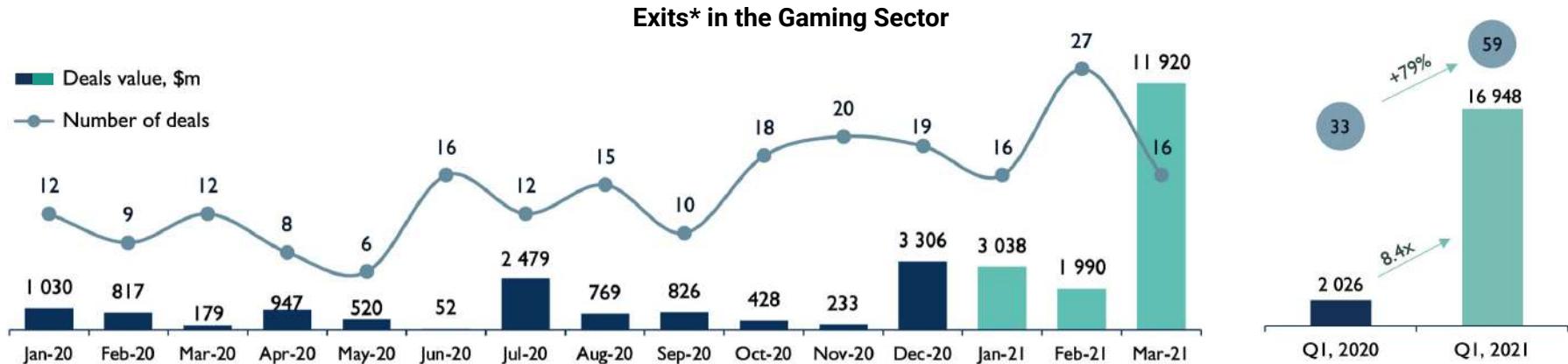


- Supported by strong valuations of public equities and high sales' multiples, the investment activity in Q1'21 has increased significantly with **\$2.2B (+235% YoY)** capital raised across 87 deals
 - 64% of total capital** deployed in the gaming companies in Q1'21 belong to the two largest deals: Roblox's pre-IPO round (\$0.52B), and the share issue by Embracer Group (\$0.89B)
 - PIPE activity is dominated by European companies: Embracer, MTG, Remedy, and Dontnod raising **\$1.1B** in total
 - Corporate investment activity was quite intense in Q1'21, accounting for **over 30%** of total number of transactions, being primarily driven by Tencent's strategic investments
 - VC deal activity was mainly focused on early-stage deals with **45 closed transactions**, while only 5 late-stage deals have been closed in Q1'21, including such notable transactions as Roblox, Rec Room, and Manticore Games



Note: (*) Investment activity includes Private Investments and PIPE, Other

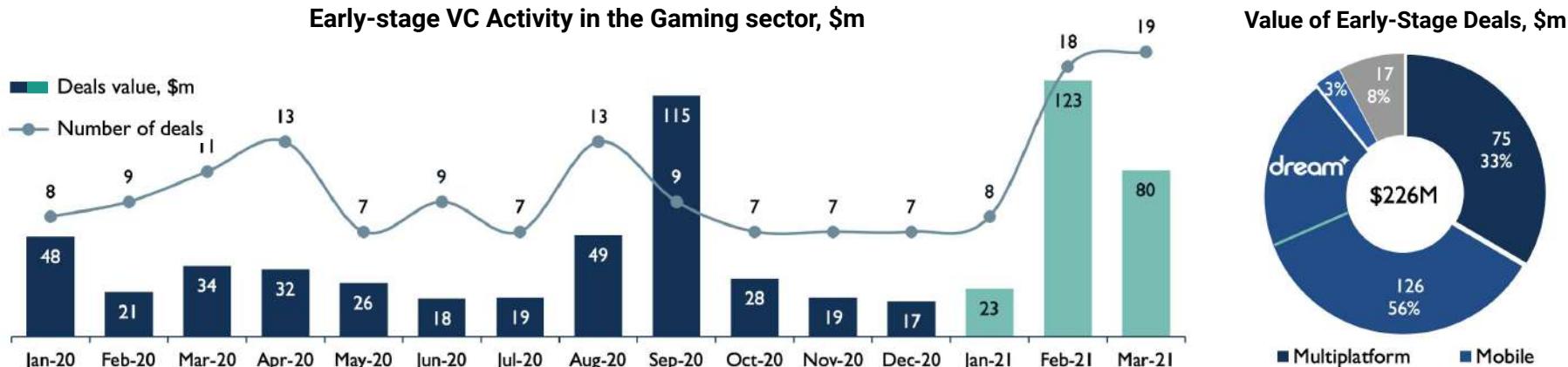
Gaming: Exits Activity



- The Gaming sector demonstrated record-breaking exit activity in Q1'21 with **59 exit events (+79% YoY)** valued at **\$16.9B (+736% YoY growth vs. Q1'20)**
- M&A continues to be the major exit path, constituting around **84%** of the total exit values in Q1'21 with **52 closed transactions**. The key drivers behind this growth were 3 mega-deals: (i) Microsoft – ZeniMax Media for **\$7.5B**; (ii) ByteDance – Moonton for reported **\$4B**; and (iii) EA – Codemasters for **\$1.2B**
- Public listing activity in just Q1'21 has **tripled** by deal value compared to the **whole 2020** (\$2.7B vs. \$0.9B). Overall, 7 companies went public with a **\$2.7B deal value**, compared to 11 IPOs in the previous year
- Public exits have become a popular route to liquidity: several gaming companies have already held IPOs (Playtika, Huuuge Games, TinyBuild), while other multibillion dollar listings are yet to be made in Q2'21 (PlayStudios, Nexters, Krafton)
 - So far, the largest public exits were made by Roblox via direct listing, valuing the business at a whopping **\$41.9B valuation****, and the recently announced **\$2.0B IPO of AppLovin at \$28.6B valuation****

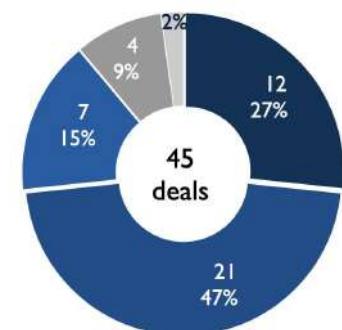
Note: (*) Exits include M&As, SPACs, and IPOs; (**) the transaction value can't be properly calculated; (***) not included in Q1 data

Gaming: Early-Stage VC



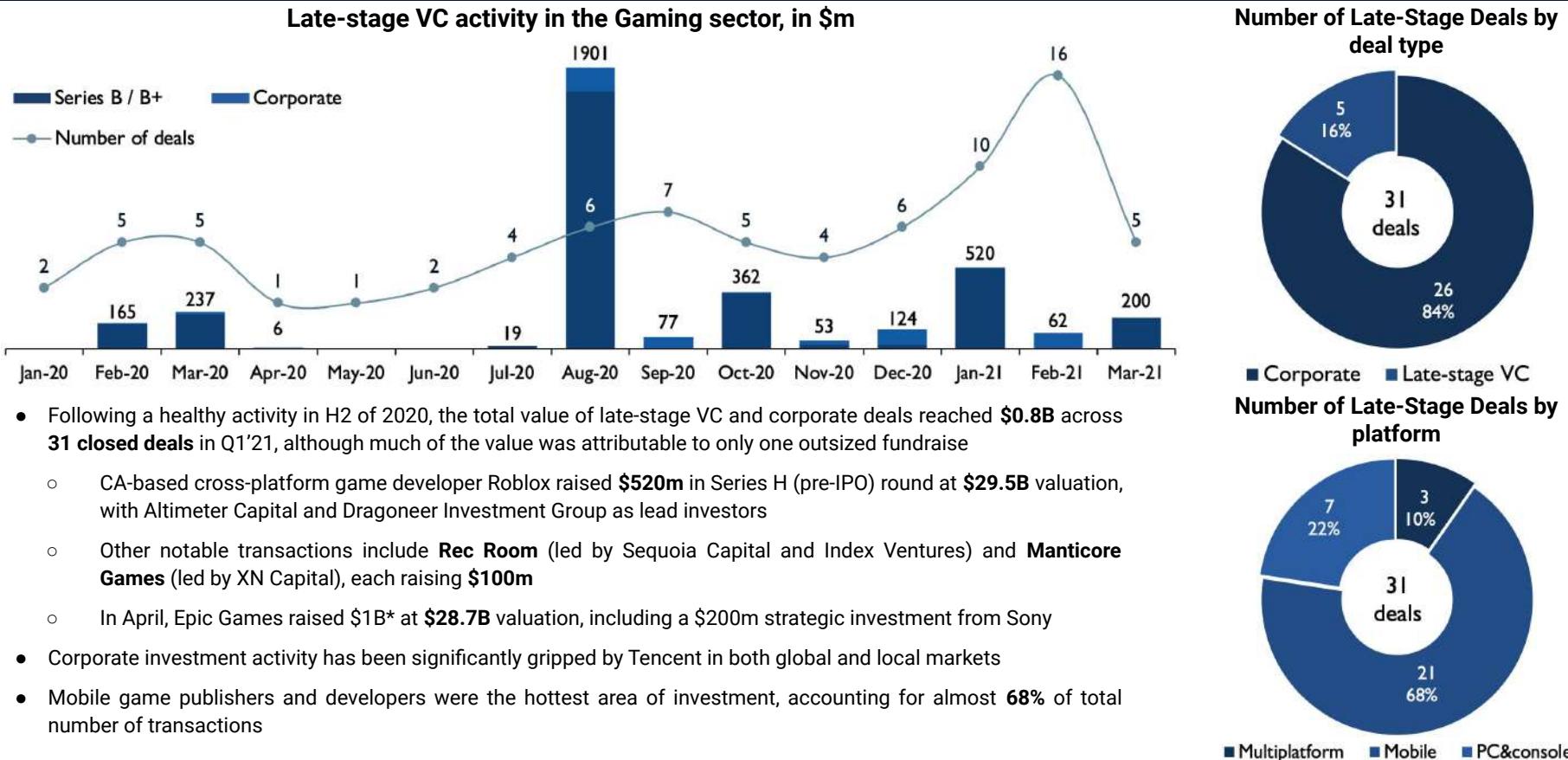
- Gaming continues to demonstrate robust growth in early-stage VC activity with **\$226m of capital (+120% YoY)** raised by game developers and publishers across **45 deals (+61% YoY)** in Q1'21
 - 35 Seed rounds and 10 Series A rounds were closed in Q1'21, with over ~**55% of money raised** in Seed rounds
- The average Seed and Series A rounds' check sizes in Q1'21 were **\$4.7m** and **\$11.8m** respectively, showing a **+120%** and **+25%** increase over the full 2020*
- The trend toward larger deals continues with the largest Q1'21 early-stage deal closed by Turkish mobile game studio **Dream Games**, known for the match-3 game *Royal Match*, raising **\$50m** in Series A round, led by Index Ventures
- The second largest round of **\$37.5m** was raised by **Theorycraft Games** (founded by ex-Riot veterans)**, led by NetEase with the participation of NEA, BITKRAFT Ventures, Griffin Gaming Partners, and Sisu Game Ventures
- Multiplatform and mobile game developers brought the most of capital, with **mobile studios taking the lead** in both deals value (~**56%**) and number of closed deals (~**47%**)

Number of Early-Stage Deals



Note: (*) based on the deals with the disclosed deals' size; (**) transactions with active involvement of VC funds are considered as VC deals

Gaming: Late-Stage VC and Corporate



Note: (*) not included in the data set

Gaming: Public Offerings

- Despite the public markets' elevated volatility, the deal activity in the beginning of Q1'21 experienced a remarkable **30x increase YoY** in the capital deployed
- The huge spike in public offering deals was concentrated in IPOs, accounting for over **50% of total value**, and in **\$890m** direct share issue by Embracer Group
- Overall, 7 gaming companies went public with **\$2.7B** deal value in Q1'21, and at least 3 more companies announced plans to go public
- Due to the intense interest from institutional investors, and many special-purpose acquisition companies looking for targets to merge with, the explosion of IPOs and de-SPACs over the last quarter is likely to continue in the nearest future, with public route opening its doors for many game developers



Notable Public Offerings Transactions (excl. IPOs)

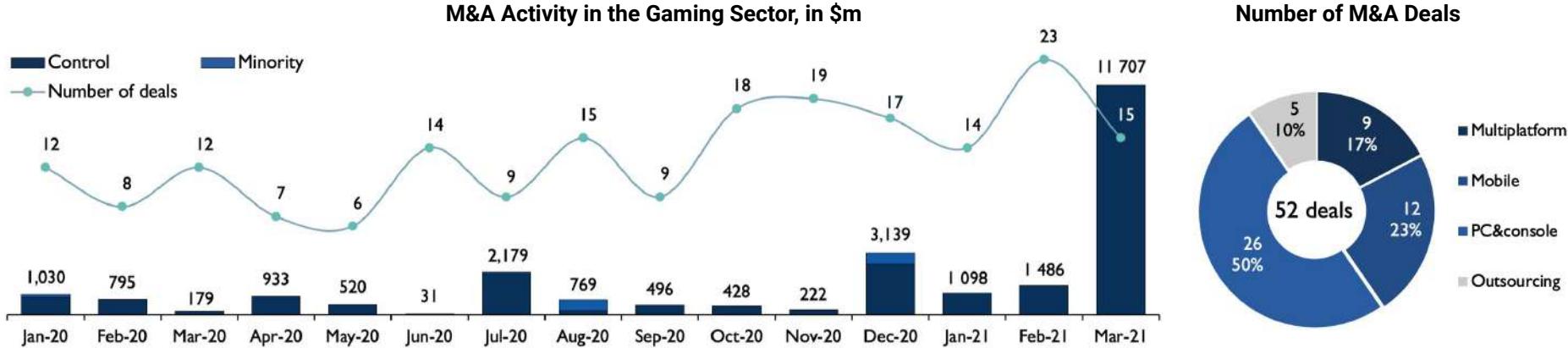
Date	Target	Deal type	Size, \$m	Platform
Feb'21	Electronic Arts	Fixed-income	750	PC&console, Mobile
Mar'21	Playtika	Fixed-income	600	Mobile
Mar'21	Embracer Group	PIPE	890	PC&console, Mobile

Notable announced IPOs and de-SPACs

Date	Target	Deal type	Size, \$m	Platform	Status
Jan'21	Playtika	IPO	1,880	Mobile	closed
Feb'21	Nexters	de-SPAC	300	Mobile	announced
Feb'21	PlayStudios	de-SPAC	465	Mobile	announced
Feb'21	Huuuge Games	IPO	450	Mobile	closed
Mar'21	Roblox	IPO	n/a	PC&console, Mobile	closed
Mar'21	tinyBuild	IPO	213	PC&console, Mobile	closed
Mar'21	AppLovin*	IPO	2,000	Mobile	closed (Apr'21)
Apr'21	Krafton	IPO	-	PC&console, Mobile	announced

Note: (*) AppLovin \$2B IPO was not included in the data set

Gaming: Mergers & Acquisitions



- M&As got off to a blistering start in Q1'21, with **\$14.3B** of closed transactions value and additional **\$5B** of announced deals
- Off-the-scale transactions remain the largest driver of M&A value*, with the three largest mega-deals of Q1'21 accounting for approximately **90%** of total proceeds
 - EA was very active over the last 6 months, delisting two public gaming companies: closing Codemasters and announcing Glu Mobile deals
 - Microsoft has completed the acquisition of ZeniMax
 - ByteDance acquired Chinese game developer Moonton
- M&A continues to be primarily driven by the **PC&console sector**, with 26 closed transactions representing **half of all** deals closed in Q1'21, and the sector being the major M&A value contributor to the gaming industry

Largest M&A deals

Date	Target	Buyer	Size*, \$m	Platform	Status
Feb'21	Codemasters	EA	1,200	PC&console	closed
Mar'21	ZeniMax	Microsoft	7,500	PC&console	closed
Feb'21	Glu Mobile**	EA	2,100	Mobile	announced
Feb'21	Gearbox**	Embracer	1,300	PC&console	closed (Apr'21)
Feb'21	Easybrain**	Embracer	765	Mobile	closed (Apr'21)
Mar'21	Moonton	ByteDance	4,000	Mobile	closed

Note: (*) deal size includes earn-out considerations; (**) not included in the dataset

Venture Capital Funds

- VC market could be considered as a safe harbor for many institutional investors looking to put money to work and searching for good returns:
 - Over **\$0.9B** of capital was raised across **9 gaming-focused VC funds** over the last **9 months**, indicating a solid interest in the industry, and setting a strong fundament for future growth
 - Most recent fundraising activity includes (i) **\$135m** by Play Ventures; (ii) **\$50m** by The Games Fund. We expect this robust pace of fundraising to continue in 2021
- Overall, the top-15 gaming VC funds have injected approximately \$860m into 27 businesses in Q1'21
 - **BITKRAFT** continues to lead the chart, participating in **10 deals**, leading 3 of them
 - **Play Ventures** takes 2nd place with 4 closed deals and a total deal value of **\$103M**
 - **Andreessen Horowitz** is 3rd, participating in notable **\$300m** Series B round with Dapper Labs
- Among all sectors, mobile and multiplatform (PC&console and mobile) continue to be the main focus for the top VC funds, representing **59%** of all deals
- To read more about the VC funds, visit [InvestGame](#)

Top-15 VC Funds by Deal Activity

Rank**	VC Investor	# of total deals	Total deal value*, \$m	# of leading deals	Leading deals value*, \$m	Type
1	BITKRAFT Ventures	10	160.5	3	16	Early stage
2	Play Ventures	4	103.4	-	-	Early stage
3	Andreessen Horowitz (a16z)	2	312	-	-	Diverse
4	Index Ventures	2	150	2	150	Late stage
5	Griffin Gaming Partners	3	92.8	1	52	Early stage
6	London Venture Partners	2	120	-	-	Early stage
7	Makers Fund	2	54.4	1	4.4	Early stage
8	Sisu Game Ventures	2	37.5	-	-	Early stage
9	Hiro Capital	3	15	3	15	Early stage
10	VGames	3	12	2	12	Early stage
11	Galaxy Interactive	2	20	-	-	Early stage
12	Serena Capital	1	14	1	14	Early stage
13	WePlay Ventures	4	-	4	-	Early stage
14	Transcend Fund	1	15	-	-	Early stage
15	1Up Ventures	2	4.2	-	-	Early stage

Note: (*) based on investments with disclosed deal value; (**) based on internal weighted average ranking system

Strategic Investors

- In Q1'21 the total number of closed Corporate and M&A deals reached **78** with a total value of **\$14.4B**, whereas announced M&A deals surpassed **\$20B**
- In terms of disclosed deal value Microsoft, EA, and Embracer are leading the top-3 chart among Strategic Investors with a total disclosed value amount of **\$13.4B**
 - Microsoft finally closed ZeniMax Media for \$7.5B (announced in 2020)
 - EA delisted Codemasters and Glu Mobile for \$3.3B
 - Embracer acquired Gearbox, Easybrain, and Aspyr Media for \$2.6B**. Moreover, Embracer raised **\$890m** to support its M&A activity pace
- From the start of the year, **Tencent** leads the playfield with corporate investments and focus on PC&console, closing a total of **35 deals**, including investments in overseas markets (Mundfish, Dontnod, Payload Studios, and Bohemia Interactive), as well as continues to consolidate Chinese gaming market (Surgical Scalpels Studio, Game Science, UltiZero Games, Dark Star)
 - PC&console game developers and publishers remain in focus of Tencent
- ByteDance has joined the M&A playfield, aggressively moving into gaming with 2 announced acquisitions of Moonton and C4 Games
- Apart from that, Epic Games increased the acquisition pace announcing 1 investment (Manticore Games), and 2 tech M&As (RAD Game Tools, Capturing Reality), and 1 notable gaming acquisition of Mediatonic, known for *Fall Guys*
 - Epic Games recently raised a **\$1B** round, most probably to perform M&As
- In Q1'21, the combined disclosed deal value of top-5 strategic investors accounted for **\$10.5B** or about **53%** of top-15 strategics' announced deal value
- To read more information about strategics, please visit [InvestGame](#)

Top-15 Strategic Investors by Deal Activity*

Rank ***	Strategic Investor	# of M&A deals*	M&A value, \$m*	Deal type	Investment focus
1	Tencent incl. subsidiaries	35	530	M&As, Corporate	Diverse
2	Embracer Group**	3	2 615	M&As	PC&console, mobile
3	ByteDance	2	4 000	M&As	Mobile
4	Electronic Arts	2	3 300	M&As	PC&console
5	Microsoft	1	7 500	M&As	PC&console
6	Epic Games	4	100	M&As, Corporate	Tech, PC&console
7	Stillfront Group	2	245	M&As	Mobile, PC
8	Enad Global 7	2	205	M&As	PC&console, mobile
9	AppLovin	1	1 000	M&As, Corporate	Mobile
10	MTG	1	189	M&As, Corporate	Esports, mobile
11	Zynga	1	-	M&As	Mobile, PC&console
12	Keywords Studios	2	60	M&As	Outsourcing
13	MY.GAMES (incl. MGVC)	2	1.5	M&As, Corporate	Mobile
14	Take-Two Interactive	2	-	M&As, Corporate	PC&console, mobile
15	Ubisoft Entertainment	1	52	Corporate	Mobile

Note: (*) including recently announced and unclosed transactions; (**) the acquisitions were completed on April 6th; (***) based on internal weighted average ranking system



Appendix

InvestGame Patreon

InvestGame reports, digests and articles will stay free, but we need some coffee and snacks to keep going with those. And we also want to launch a new website to make InvestGame more comfortable for you. So we introduce some kind of f2p-monetization here: if you feel like supporting InvestGame, we have some optional Patreon bonuses listed here. But again, you can continue using InvestGame for free, we are also okay with this.

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\$25

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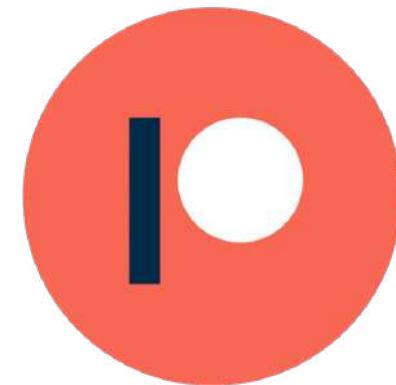
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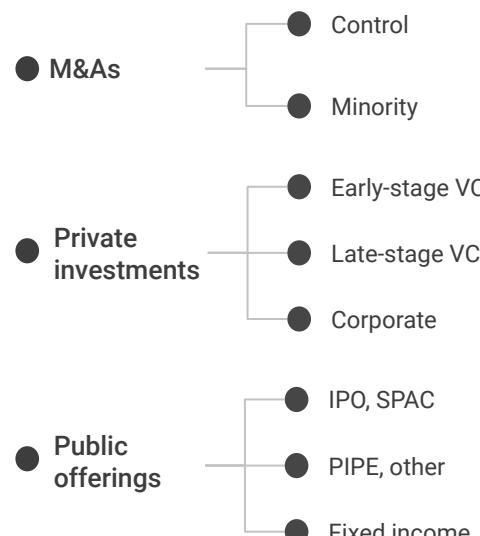
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Methodology & Glossary

InvestGame tracks closed transactions (unless otherwise noted) in the Video Game industry with target-companies having core business operations related to the video game market. Please note that we do not track pure gambling and betting companies. All deals size values are given in U.S. dollars or converted to U.S. dollars at the prevailing spot rate from the closing date of transaction.

The private data contained in this report is based on information from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Sources include public media, our business partners, data provider S&P Capital IQ, and market insights. The information, opinions, estimates, and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate.

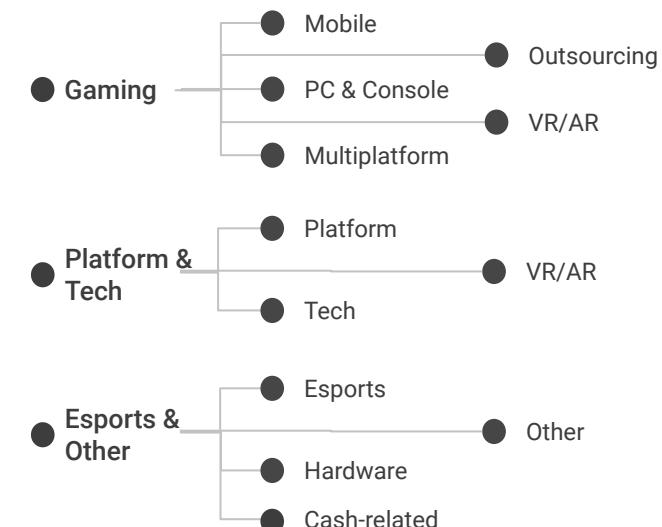
Overview of deal types



Glossary of deal type terms

- **Control M&As** – mergers and acquisitions resulting in the change of control (50%+ ownership)
- **Minority M&As** – sale of a minority stake in the business
- **Early-stage VC** – pre-seed, seed, and Series A rounds with lead VC fund
- **Late-stage VC** – Series B, Series C, and later-lettered venture rounds
- **Corporate Investments** – investment with a lead investor being corporation
- **IPOs** – the process of company going public including IPOs, SPACs, and direct listings
- **Fixed-income** – debt-related instrument with fixed payments and interest payments
- **PIPE, other** – private investment in public equity, direct share issue, and other transactions with publicly traded stock

Overview of the Target's sector



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Thank you, and stay safe!

