

Cooling Off After Years of Blistering Growth

Executive Summary



Highlights:

getting back to regular levels of deal activity

| | Q1'20 | Q1'21 | Q1'22 | Q1'23 |
|----------------------------|--------|-----------|-------|-----------|
| Private Investments | | | | |
| \$0.6B | ↑276% | \$2.4B | ↑38% | \$3.3B |
| 85 Deals | | 147 Deals | | 180 Deals |
| | | | ↓71% | \$1.0B |
| | | | | 141 Deals |
| M&A | | | | |
| \$2.4B | ↑495% | \$14.6B | ↓22% | \$11.4B |
| 50 Deals | | 81 Deals | | 88 Deals |
| | | | ↓94% | \$0.6B |
| | | | | 43 Deals |
| Public Offerings | | | | |
| \$0.3B | ↑2952% | \$8.7B | ↓92% | \$0.7B |
| 11 Deals | | 37 Deals | | 9 Deals |
| | | | ↓20% | \$0.5B |
| | | | | 9 Deals |

Private Investments:

remain strong with a slight pullback from previous record highs

- Investment activity remains strong, showing increase in the deal count vs. the previous 3 months, and halting the negative trend. This growth was mainly driven by Early-stage and Corporate deals (+30% growth vs. Q3'22).
- The total amount of raised capital remains stagnant, as we see very few Late-stage deals, while most Corporate investments do not disclose amounts. The largest Late-stage deal was VSPO by Savvy Games Group (\$265m), which accounted for 65% of the total value.
- The Early-stage market continues to be robust and is expected to be a significant driving force behind the emergence of new unicorns in the next 3–5 years.

| Target | Deal Type | Deal Size, \$m |
|---|-----------|----------------|
|  | Series C | 265 |
|  | Series A | 55 |
|  | Series B+ | 40 |

Corporate & VC Investments Activity



M&As:

hit its lowest point with strong rebound in the coming quarter

— M&A activity in Q1'23 showed a significant drop in the total disclosed deal value, and saw ~2x less closed deals vs. the previous years' average (Q1'21/Q1'22).

— Despite a harsh start of the year, Q2'23 has already seen two significant deal announcements: Scopely acquisition by Savvy Games Group for \$4.9B, and Rovio acquisition by SEGA for \$0.8B.

| Target | Deal Type | Deal Size, \$m |
|--------------------------|-----------|----------------|
| Magic Leap | Control | 450.0 |
| ByteDance | Minority | 100.0 |
| DIGITAL MEDIA MANAGEMENT | Control | 67.5 |

Closed M&As Activity



Public Offerings:

remain stalled, with no signs of improvement so far

- Public Offerings activity continue to struggle, due to the current situation on public markets and high interest rates.
- In the coming quarters the public activity will probably remain low,

largely depending on Q1'23 earnings season results. Nevertheless, based on Take-Two Interactive's Public Offering in the amount of \$1B, we still may see some notable offerings by big strategic players.

| Target | Deal Type | Deal Size, \$m |
|-----------|--------------|----------------|
| bilibili | PIPE | 408.9 |
| DON'T NOD | PIPE | 49.0 |
| Voodoo | Fixed Income | 34.2 |

Public Offerings Activity



Gaming

Deals with Targets represented
by Video Game Publishers and/or Developers



Highlights:

gaming deal activity saw a steep decline

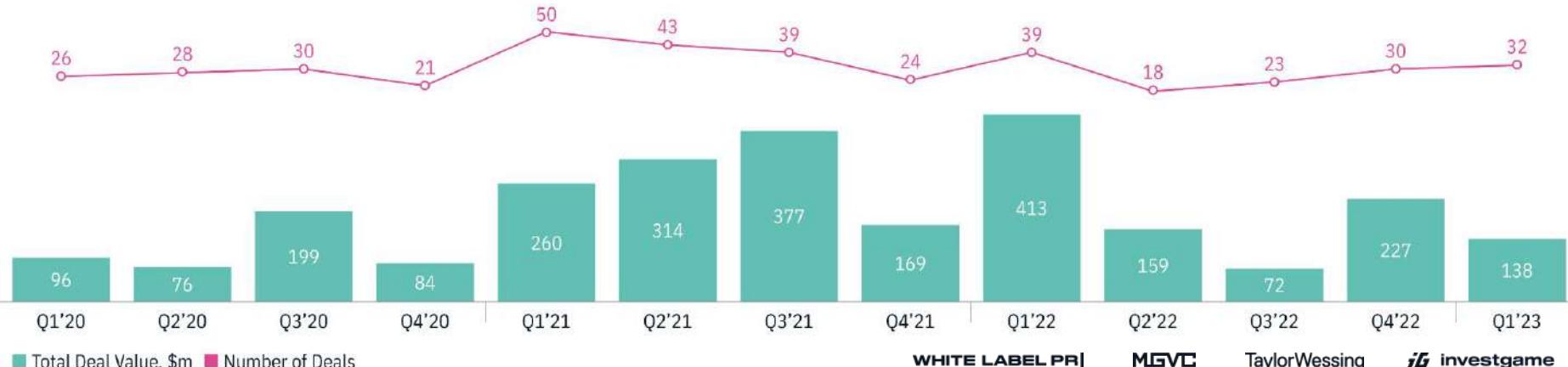
| | Q1'20 | Q1'21 | Q1'22 | Q1'23 |
|----------------------------|--------|----------|-------|----------|
| Private Investments | | | | |
| \$0.5B | ↑119% | \$1.1B | ↑10% | \$1.2B |
| 39 Deals | | 83 Deals | | 55 Deals |
| | | | ↓82% | \$0.2B |
| | | | | 44 Deals |
| M&As | | | | |
| \$2.0B | ↑625% | \$14.5B | ↓72% | \$4.0B |
| 32 Deals | | 55 Deals | | 54 Deals |
| | | | ↓99% | \$0.1B |
| | | | | 27 Deals |
| Public Offerings | | | | |
| \$0.2B | ↑3212% | \$5.6B | ↓95% | \$0.3B |
| 7 Deals | | 23 Deals | | 5 Deals |
| | | | ↓52% | \$0.1B |
| | | | | 6 Deals |

Early-stage Investments: lots of fuel for future unicorns

— Early-stage investment has displayed a rebound following a notable decline in Q2'22 and continuously showing an increase in the deal count. However, we should highlight that the average size of deal size has been decreased.

— The emergence of new gaming unicorns in the future may be largely driven by the current positive trend in the increasing investment activity from the Early-stage VCs.

Early-stage Gaming Activity



| Target | Deal Type | Deal Size, \$m |
|---|------------|----------------|
|  BELIEVER | Series A | 55 |
|  RIFTWEAVER GAMES STUDIO | Seed round | 12 |
|  MIDNIGHT SOCIETY | Seed round | 11 |

Most Active VC Gaming Funds for Q1'23

*Note: (1) based on the internal weighted average ranking system (see p. 14);
 (2) based on investments in Gaming with the disclosed deal value (no Web3 gaming deals included)*

| Rank ¹ | Venture Capital Fund | Deals | Deal Value ² \$m | Lead Deals | Lead Deals Value ² \$m | Select Lead Deals |
|---------------------------|----------------------------|-------|-----------------------------|------------|-----------------------------------|------------------------------------|
| By number of deals | | | | | | |
| 1 | Andreessen Horowitz (a16z) | 9 | 177 | 7 | 95 | CCP Games, Azra Games |
| 2 | Makers Fund | 7 | 66.4 | 5 | 26.4 | Genpop Interactive, Strider |
| 3 | BITKRAFT Ventures | 7 | 150 | 2 | 19 | Jungle, Avalon Corp |
| 4 | Gem Capital | 5 | 14 | 5 | 14 | Order of Meta, Gameram |
| 5 | Play Ventures | 5 | 30 | 4 | 20 | Redemption Games, Scenario |
| 6 | Griffin Gaming Partners | 3 | 20.6 | 3 | 20.6 | Grand-Attic, Hardball Games, Nexus |
| 7 | Hiro Capital | 3 | 14 | 2 | 8 | Telltale Games |
| 8 | Lumikai | 3 | 10 | 2 | 7.4 | BuyStars |
| 9 | vgames | 2 | 7 | 2 | 7 | PeerPlay |
| 10 | Sisu Game Ventures | 2 | 6.6 | 2 | 6.6 | Unagi |
| By deals value | | | | | | |
| 1 | Andreessen Horowitz (a16z) | 9 | 177 | 7 | 95 | CCP Games, Azra Games |
| 2 | Makers Fund | 7 | 66.4 | 5 | 26.4 | Genpop Interactive, Strider |
| 3 | Lightspeed Ventures | 1 | 55 | 1 | 55 | Believer Entertainment |
| 4 | BITKRAFT Ventures | 7 | 150 | 2 | 19 | Jungle, Avalon Corp |
| 5 | Griffin Gaming Partners | 3 | 20.6 | 3 | 20.6 | Grand-Attic, Hardball Games, Nexus |
| 6 | Play Ventures | 5 | 30 | 4 | 20 | Redemption Games, Scenario |
| 7 | Sequoia Capital | 3 | 20 | 1 | 20 | Mayhem Studios |
| 8 | Gem Capital | 5 | 14 | 5 | 14 | Order of Meta, Gameram |
| 9 | Hiro Capital | 3 | 14 | 2 | 8 | Telltale Games |
| 10 | 1Up Ventures | 2 | 61.5 | n/a | n/a | n/a |

Late-stage Deals: uncertain year ahead

— Late-stage investment activity continues to struggle, what with the bearish public markets and slowdown in the M&A activity, with only 2 closed deals happening.

— In the upcoming quarters, Late-stage negative trend will most likely continue with a small number of deals to happen, due to high checks, plus the potential problems to raise expected amounts.

| Target | Deal Type | Deal Size, \$m |
|----------|-----------|----------------|
| CCP | Series B+ | 40 |
| Carry1st | Series B | 27 |

Late-stage Gaming Activity



Corporate: attractive valuations to drive growth

– In Q1'23, Corporate activity in gaming is almost on the same level as it was the year prior; however, the majority of the deals sizes were not disclosed.

– Based on the current market conditions and relative silence from the key strategic investors, we consider that in the upcoming quarters, overall Corporate activity will be more dynamic in both the deals value and count.

| Target | Investors | Deal Size, \$m |
|--|---|--|
|  SFL Studio |  NetEase Games | Undisclosed |
|  MEGA CAT STUDIOS |  SKYBOND | Undisclosed |
|  SUPER GAMING |  DEEPMOTION |  BANDAI NAMCO |

Corporate Gaming Activity



Appendix

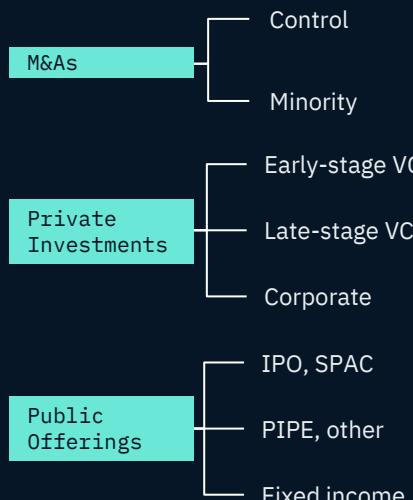
Methodology & Glossary

InvestGame tracks closed transactions (unless otherwise noted) in the Video Games industry, with target companies having core business operations related to the Video Games market. Please note that we do not track pure gambling, betting, and non-gaming blockchain/Web3 companies.

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.

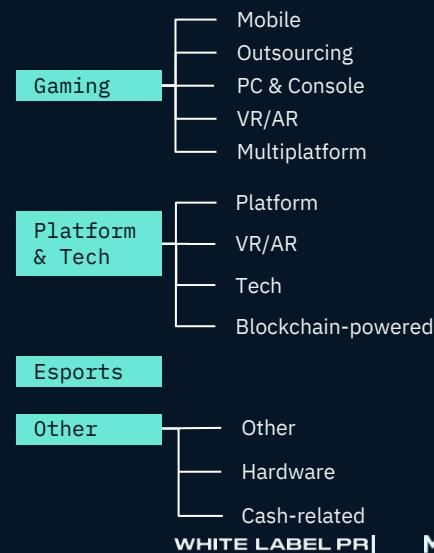
Deal Types Overview



Deal Type Terms Glossary

- 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 a lead VC fund
- Late-stage VC—Series B, Series C, and later-lettered venture rounds
- Corporate Investments—investments 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

Target's Sector Overview



VC Ratings Calculation

For both the Deals Number and Deal Value lists, we prioritize as follows:
 60%—lead deals number / value;
 40%—total number / value of deals.
 Since the funds do not usually disclose publicly their individual participation in a particular round (even if some occasionally do), we do not take into account the exact cuts. We prioritise the overall number and the sum of the deals while still placing importance on the value and the count of lead deals.

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