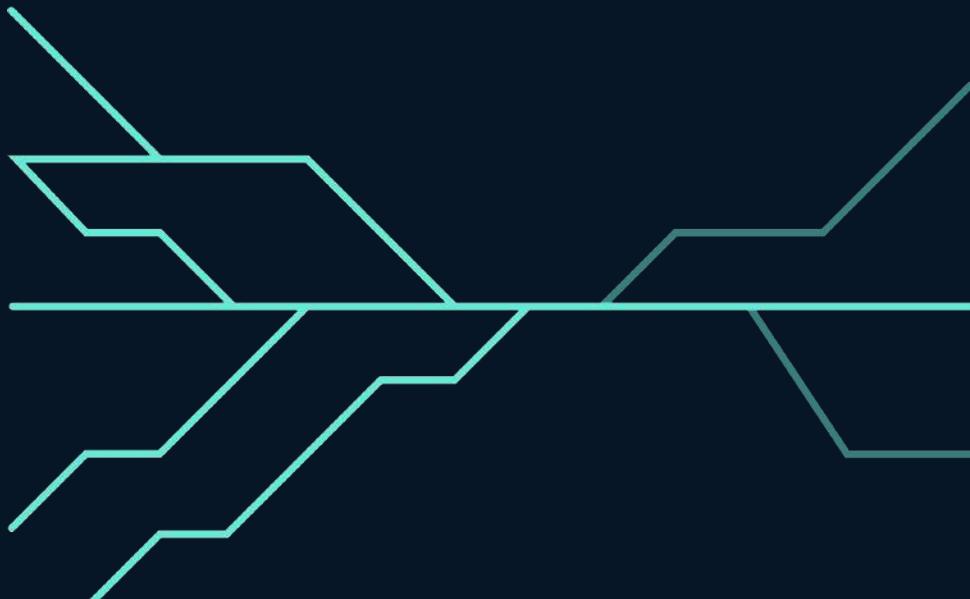


2023 Q3: Glimpse of Normalization



Highlights:

2023YTD saw the lowest deal value activity since the pandemic period

Q1–Q3'20	Q1–Q3'21	Q1–Q3'22	Q1–Q3'23
Private Investments			
\$4.7B 262 Deals	\$8.8B 405 Deals	\$9.3B 430 Deals	\$2.3B 325 Deals
M&As*			
\$8.5B 144 Deals	\$28.5B 241 Deals	\$36.2B 196 Deals	\$8.5B 94 Deals
Public Offerings			
\$9.6B 53 Deals	\$21.4B 61 Deals	\$3.5B 19 Deals	\$4.0B 30 Deals

Note: (*) closed transactions only, excluding the acquisition of Activision Blizzard by Microsoft for \$68.7B announced in Q1'22 and closed in Q4'23

Key Closed Transactions to Date

M&As

Target Buyer

Public Takeover

		\$68 700m
		\$783m
		\$422m

Control M&As

		\$4 900m
	腾讯	Undisclosed
		\$450m

Minority M&As

		\$122m
		\$100m

Private Investments

Target Key Investor

Early-stage VC

		\$55m
		\$54m
		\$33m

Late-stage VC

		\$265m
		\$100m
		\$90m

Corporate

		\$30m
		\$28m
		\$15m

Public Offerings

PIPE

	\$409m
	\$183m
	\$61m

Fixed Income

	\$1 000m
	\$400m
	\$115m

Private Investments: getting back to pre-COVID levels

— Dealmaking activity has fallen from record heights during 2021–22 as the market slows, and the investment landscape has witnessed a notable downturn since 2023.

— YTD 2023 capital raised by gaming companies was 4x times lower than avg. of 2021–22 during the same period (\$2.3B vs. ~\$9.1B), with the number of deals shrinking by ~23%.

— Late-stage rounds continue to experience compression, partially explained by the drop in follow-up investment rounds and uncertain exit perspectives in the current market.

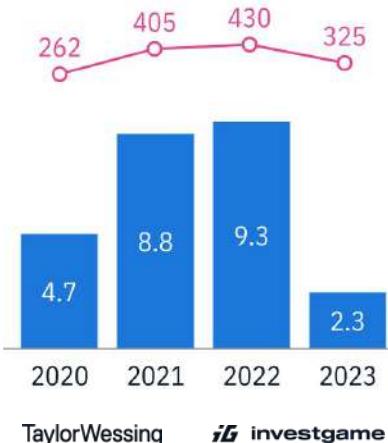
— Early-stage rounds have been less affected by macro-volatility, as reflected in the number of deals, which stay mainly in line with the prior periods at pre-COVID levels.

— The challenging macroeconomic and gaming market environment have notably affected investors' appetite, shifting investment focuses and making investors more selective with funding new ventures. Nevertheless, the market seems to stabilize and may see further growth in the coming year as Corporate VCs become more active and look for new growth opportunities.

Corporate & VC Investment Activity



Q1–Q3 by Year



M&As:

moderate dealmaking activity with long-term growth prospects

— Beginning in 2023, the M&A activity witnessed a notable decrease, with total exit value approaching \$8.5B, 3.8x times below avg. amount of the previous two years.

— The main contributors, accounting for over 75% of the overall value, were acquisitions of Scopely by Savvy Games Group (\$4.9B), a public takeover of Rovio by SEGA (~\$0.8B),

and acquisition of Techland by Tencent (undisclosed).

— The M&A market in 2023 is showing results significantly below the high values of 2021 and 2022. This trend excludes the notable completion of the Activision Blizzard acquisition for \$68.7B in Oct'23, a deal announced in Jan'22. Despite the recent slowdown, it's essential to recognize

the sector's structural growth when viewed over a longer time horizon:

1. Massive unspent dry powder of private equity investors looking to get a presence or increase allocation to the entertainment market.
2. Large cash piles on balance sheets and stabilizing stock prices of strategic investors,

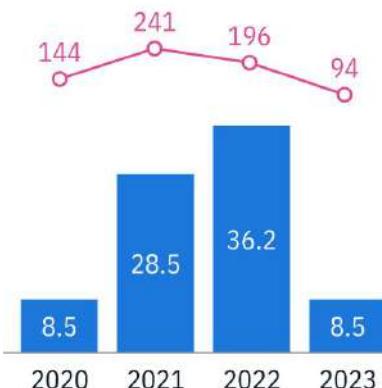
which have enough gunpowder to drive further inorganic growth.

3. Much stronger Early-stage funding environment vs. five years ago, with many new gaming-specialized VCs and CVCs (Krafton, NetEase, Riot) deploying capital into new ventures and creating new unicorns.

Closed M&A Activity



Q1–Q3 by Year



Public Offerings: remain quiet, with the IPO window remaining closed

— Excluding AppLovin's \$1.5B loan refinancing, Public Offerings activity remains the weakest area of the entertainment industry with a ~29% YoY decline in Q1–Q3, with 2023 on track to be the worst year amid the increasingly harsh conditions.

— Higher-for-longer interest rates, the mixed performance of recent US-listed largest IPOs (e.g., Arm, Klaviyo, Instacart), and struggling public market valuations of recently listed gaming comps have raised questions about entertainment IPO prospects in the nearest future.

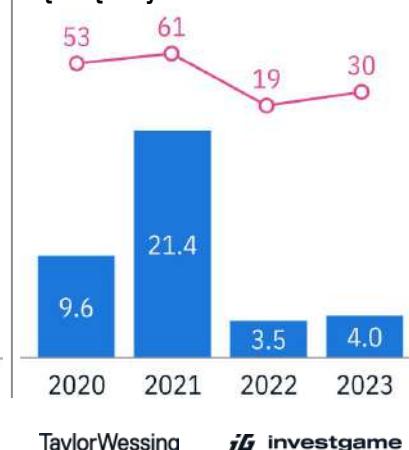
— Since 2022, the gaming industry hasn't seen any meaningful size public listings, except for Azerion (current market cap of ~\$0.1B vs. initial \$1.2B), which recently sold its Youda games portfolio to Playtika and FaZe clan, which recently has been acquired for ~\$18m (vs. \$0.7B valuation at listing).

— To date, the most notable public offering and fixed-income transactions have been AppLovin (\$1.5B loan refinancing), Take-Two (\$1B senior notes), Keywords (\$0.4B credit facility), and Bilibili (\$0.4B secondary equity offering).

Public Offerings Activity



Q1–Q3 by Year



Gaming

Deals with targets represented
by video game publishers and developers



Highlights:

getting through challenging times

Q1–Q3'20	Q1–Q3'21	Q1–Q3'22	Q1–Q3'23
Private Investments			
\$2.8B 117 Deals	\$4.8B 215 Deals	\$3.6B 114 Deals	\$0.7B 135 Deals
M&As*			
\$7.0B 93 Deals	\$25.6B 150 Deals	\$27.2B 120 Deals	\$7.8B 64 Deals
Public Offerings			
\$6.8B 36 Deals	\$13.8B 40 Deals	\$3.0B 12 Deals	\$3.5B 20 Deals

Note: (*) closed transactions only, excluding the acquisition of Activision Blizzard by Microsoft for \$68.7B announced in Q1'22 and closed in Q4'23

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Early-stage Gaming: moderate seed activity and fewer outsized Series A rounds

— Although Early-stage investment activity is still below 2021–22 levels in value and volume terms, there is a positive dynamic compared to the pre-COVID period.

— Pre-seed and Seed rounds have remained steadfast, while Series A deals have decreased by 2.6x compared to the average number of deals in 2021–22 (12 vs. 31).

— The number of large-size deals (\$10m+) has significantly dropped to only five in Q1–Q3'23, compared to 23 and 18 deals in 2021 and 2022, respectively.

— CVC provides an extra boost to Early-stage activity by co-investing with VCs and improving the deal risk profile while getting an early presence on the cap table and securing strategic partnership terms (e.g., ROFR).

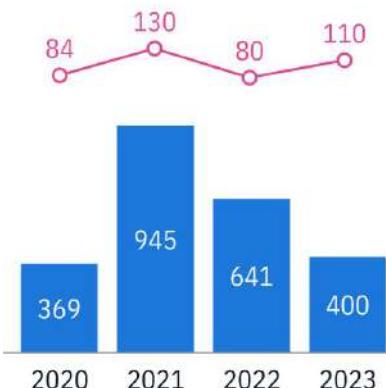
— Investments in the PC & Console and Multiplatform segments have notably increased compared to the avg. number of deals in 2021–22 (55 vs. 45), while investments in mobile gaming have slightly declined (43 deals compared to the average of 48 deals in 2021–22), reflecting recent industry tailwinds and challenges on mobile vs. other platforms.

— VC fundraising was primarily on halt, with only a few funds announcing fundraisings: Play Ventures (\$78m) and GEM Capital (\$50m). Consequently, VC funds have become more selective in their investment strategies. As a result, the average studio fundraising process has become longer and at less favorable terms.

Early-stage Gaming Activity



Q1–Q3 by Year



Most Active VC Gaming Funds for Q1-Q3 '23

Note: (1) based on the internal weighted average ranking system (see p. 15);

(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
Ranking by Number of Deals						
1	BITKRAFT Ventures	16	259	7	47	Avalon Corp, HyperPlay
2	Sisu Game Ventures	14	42	9	23	Multiscription
3	Andreessen Horowitz (a16z)	11	162	7	68	CCP Games, Proof of Play
4	GEM Capital	9	21	8	16	Made on Earth Games
5	vgames	9	16	7	9	PeerPlay, Frantic Games
6	Makers Fund	6	31	4	21	Genpop Interactive, Grand-Attic
7	Griffin Gaming Partners	5	133	4	43	Harmony Games, Hardball Games
8	The Games Fund	4	11	4	11	Red Rover, Zakazane
9	Ludus Ventures	4	8	3	4	Paxie Games, Fortune Mine Games
10	Play Ventures	3	21	2	13	Redemption Games, Scenario
Ranking by Deals Value						
1	BITKRAFT Ventures	16	259	7	47	Avalon Corp, HyperPlay
2	Andreessen Horowitz (a16z)	11	162	7	68	CCP Games, Proof of Play
3	Lightspeed Ventures	3	162	3	162	Inworld AI, Believer Entertainment
4	Griffin Gaming Partners	5	133	4	43	Harmony Games, Hardball Games
5	Sisu Game Ventures	14	42	9	23	Multiscription
6	Makers Fund	6	31	4	21	Genpop Interactive, Grand-Attic
7	GEM Capital	9	21	8	16	Made on Earth Games
8	Sequoia Capital	3	20	1	20	Mayhem Studios
9	Play Ventures	3	21	2	13	Redemption Games, Scenario
10	Transcend Fund	3	39	2	7	Cosmic Launge

Late-stage Gaming: overcoming harsh conditions and market challenges

— Ascending interest rates, weaker exit environment, and increased focus on solid financials have raised the bar for fundraising and led to a harsh deal-making environment: 2023 reached the lowest point with roughly \$300m capital raised across 8 transactions.

— Many Late-stage startups raised capital during the prosperous 2020–22 years,

allowing to wait out “winter” amid the current harsh fundraising terms.

— Moreover, the prolonged macro volatility, liquidity crunch, and pullback of nontraditional investors will decrease chances of consequent fundraising for “newcomers” that raised Seed and Series A at the peak of valuations 2020–22

and are forced to return to market due to low cash reserves. This will likely lead to down rounds, premature M&As, or bankruptcies.

— Low Late-stage activity will likely persist through the remainder of 2023. Nevertheless, we still may observe rounds of promising studios, such as \$100m Candivore’s Series C and \$90m Second Dinner’s Series B rounds closed in Q3’23.

Late-stage Gaming Activity



Corporate: strategic investors go less solo, more co-op

— For the last two years, strategic investors from the Western region have scaled down their corporate investments. We attribute this decline to the continuous turbulent conditions in public markets, ongoing internal restructurings, and changes in development pipelines.

— In the last years of growth, many companies were heavily increasing their headcount, investing in R&D, and making more experimental investments. However, many companies tried to cut expenses during the correction, leading to thousands of layoffs, dozens of canceled games, and a severe decline in investment activity.

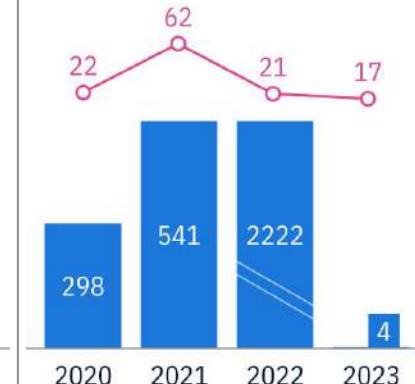
— Despite the substantial decrease in deal value, it is noteworthy that Asian strategic investors like Tencent, NetEase, Krafton, and others are actively continuing to invest, not only within the Asian region but also in companies from Europe and America. We anticipate that this trend will persist in the upcoming quarters.

— In 2023, many Strategics/CVCs switched to co-investment with VCs, making substantially fewer investments that strategic investors fully cover. We categorize such co-investing rounds as Early-stage or Late-stage deals in this report.

Corporate Gaming Activity



Q1–Q3 by Year



Gaming: closed VC deals by targets geo Q1-Q3'23

NORTH AMERICA \$327m
Early-stage VC: 37 deals
Late-stage VC: 3 deals
Corporate: 2 deals

LATIN AMERICA
Early-stage VC: 2 deals

WESTERN EUROPE \$128m
Early-stage VC: 24 deals
Late-stage VC: 1 deal
Corporate: 7 deals

MENAT \$34m
Early-stage VC: 22 deals
Corporate: 1 deal

AFRICA \$27m
Early-stage VC: 2 deals
Late-stage VC: 1 deal

EASTERN EUROPE \$2m
Early-stage VC: 3 deals

ASIA \$85m
Early-stage VC: 17 deals
Late-stage VC: 2 deals
Corporate: 7 deals

OCEANIA
Early-stage VC: 4 deals

Note: total sums of the Early-, Late-stage, and Corporate deals for each region

AI in Gaming: analyzing the surge in the startup scene

— Though we now observe a massive buzz around everything AI-related, artificial intelligence is the theme that has been present in the gaming industry for quite a while. To better understand the trend growth, we tracked all deals with the targets involved in AI.

— This year shows an increased interest in AI-related startups in size and number of deals. Q3'23 was especially strong, with an unprecedented 21 deals for a total amount of \$268.1m. The year's largest deal was a \$76m round of Inworld AI led by Lightspeed Venture Partners.

— Nevertheless, we can hardly compare this surge with the earlier blockchain gaming boom. The growth in the number of AI-related deals hasn't been as pronounced as in previous years. However, the trend continues to increase, which may become the beginning of something bigger.

— Also, in web3, the startups had to make the blockchain a part of their games. When it comes to AI, many studios use the technology to speed up the production process rather than introducing some innovation to the product. We will monitor the market and see where it will lead the industry.

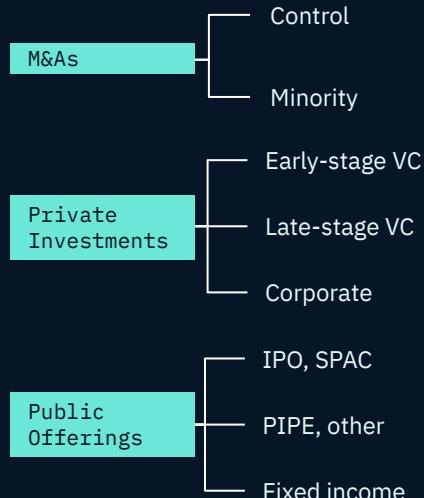
Closed AI Deals



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. We do not track pure gambling, betting, and non-gaming blockchain/web3 companies.

Deal Types Overview



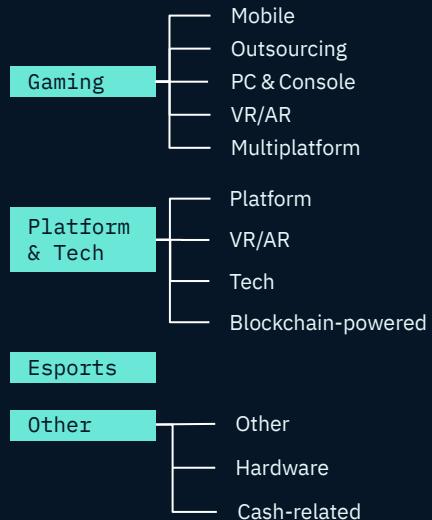
The private data contained in this report is based on information from sources believed to be reliable, but we can't guarantee accuracy and completeness. Sources include public media, our business partners, data provider S&P Capital IQ, and market insights.

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 a corporation
- IPOs—the process of a 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

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.

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.

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 prioritize 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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