

Gaming Industry Report

Q3 2024



Gaming industry: at a glance

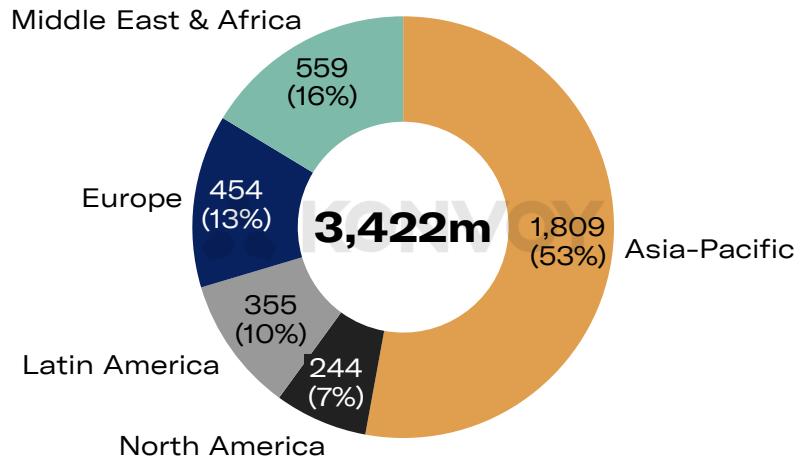
- **2024 market size:** \$188bn (+2.1% YoY)
- **Public markets:** leading public gaming ETFs up 22-36% YTD (vs S&P 500 = 21%)
- **Venture funding in Q3' 24:** \$517m across 92 deals (funding +1% QoQ, number of deals -14% QoQ)

Key Trends

- Epic sidesteps Apple in the EU, sues Google
- Discord launches Activities
- AI: Google <> Character.ai, Canva <> Leonardo.ai
- Savvy Games Group partners with Xsolla
- US Senate passes online child safety bills
- FTC sues TikTok for violating COPPA
- Keywords Studios goes private (\$2.8bn)
- Unity fully removes Runtime Fee

Source: CB Insights, Newzoo, public reporting, Drake Star

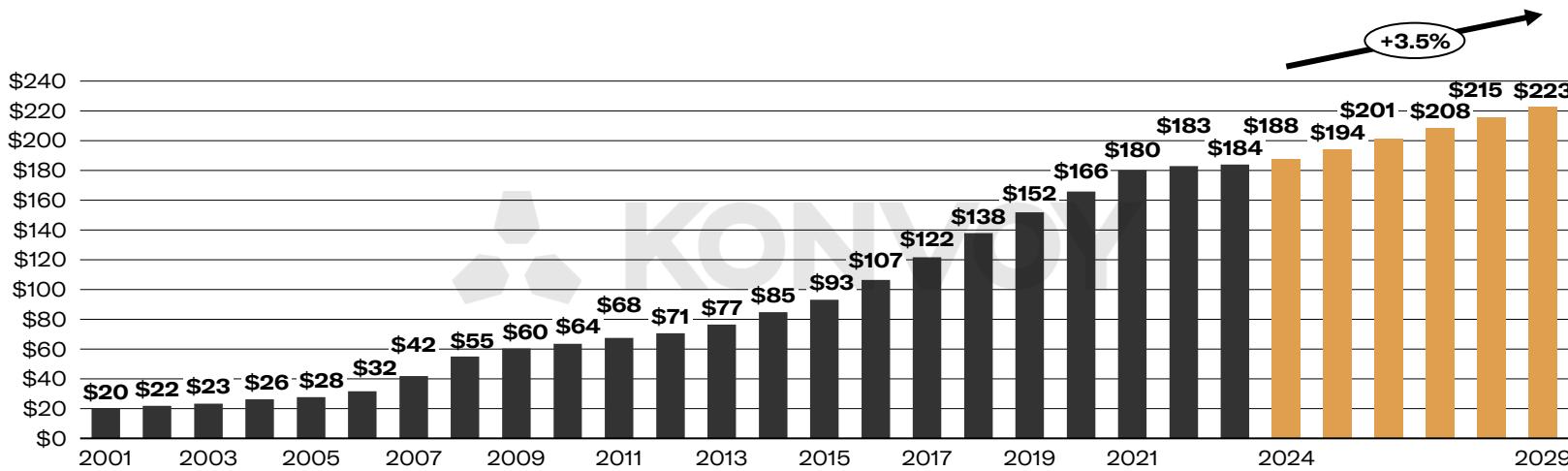
Total gamers in 2024 by region (millions):



Gaming is expected to be a \$188bn market in 2024

\$ in billions

Actual Projected



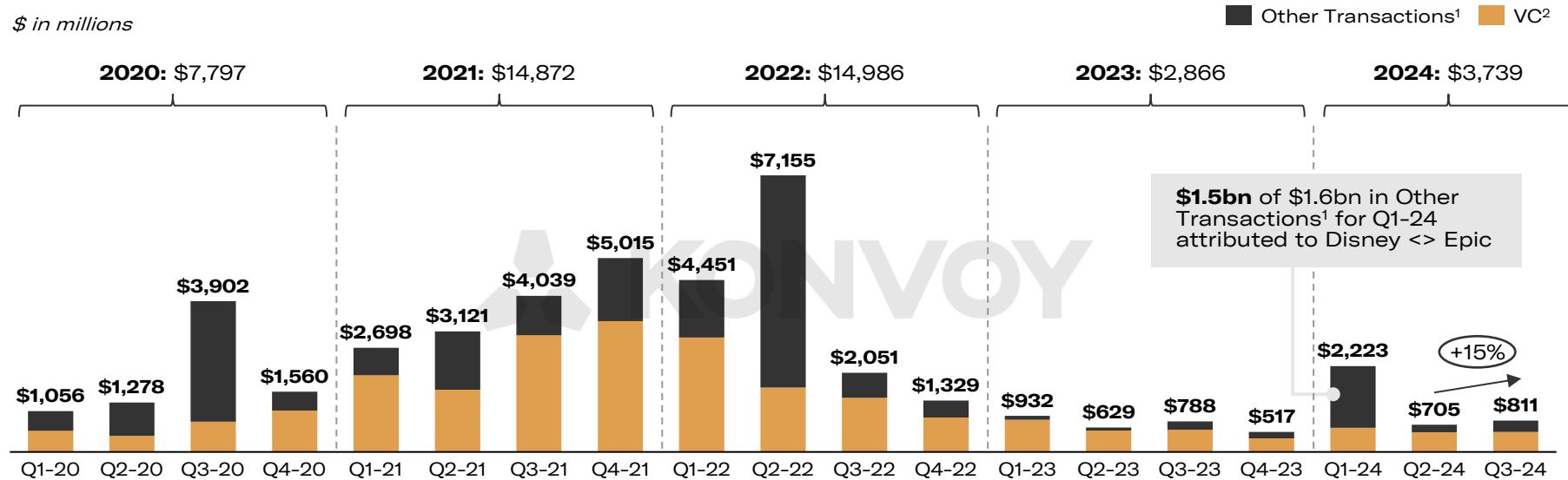
Source: IFPI, Newzoo, ArsTechnica, MPAA, Mordor Intelligence, Konvoy



Gaming funding: private markets overview

Private market funding in gaming increased 15% QoQ

\$ in millions



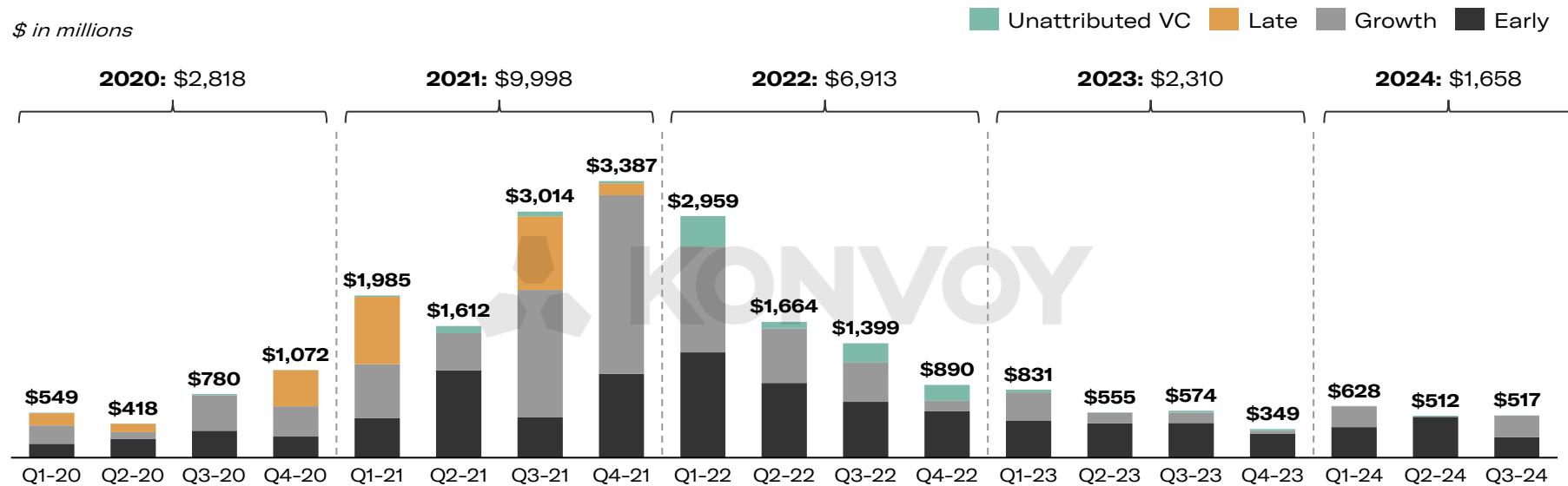
1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: VC includes Pre-Seed through Series K VC; Note 1: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Gaming VC funding: \$517m (+1% QoQ) in Q3-24

Growth-stage funding in Q3-24 (\$262m) far surpasses 2023 average (\$159m)

\$ in millions

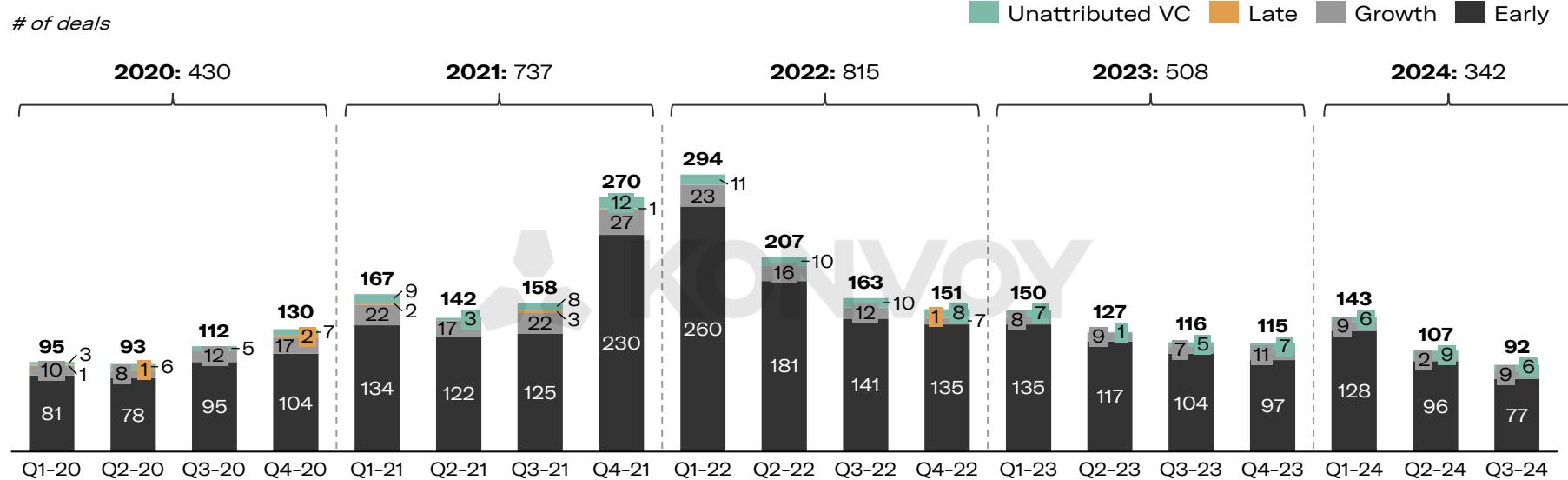


Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Gaming VC deals: 92 (-14% QoQ) in Q3-24

The number of early-stage deals sets new low since Q1-20

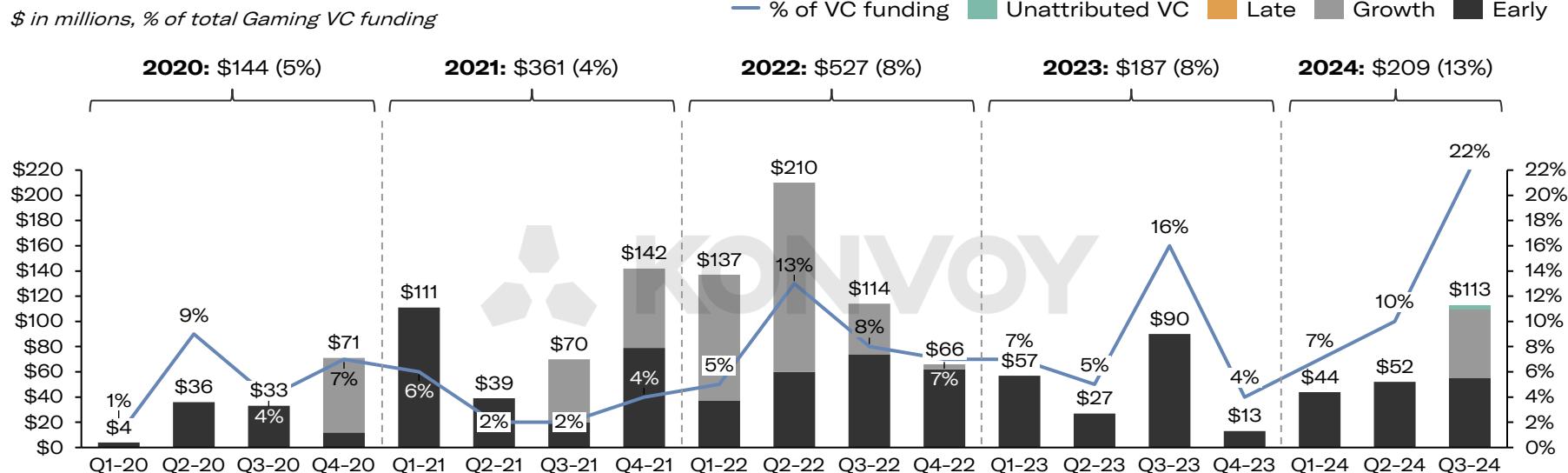


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Gaming VC: AI funding

22% of Gaming VC funding in Q3-24 went into companies related to or referencing AI



Note 1: AI = companies that mention “artificial intelligence”, “machine learning”, or AI in their company description; Source: CB Insights



Largest gaming x AI VC deals (YTD)

Gaming x AI investments – 2024 YTD by deal size

Rank	Company name	Geo	QTR	Raise, \$m	Rank	Company name	Geo	QTR	Raise, \$m
1	Volley	NA	3	\$55.0	11	No logo	BubblePlan	NA	\$4.5
2	Series Entertainment	NA	3	\$28.0	12	PLAYAI	Play AI	Asia	\$4.3
3	Astrocade	NA	2	\$12.0	13	BITMAGIC	Bitmagic	Europe	\$4.0
4	Carbonated	NA	1	\$11.0	14	ICONIC	Iconic AI	Europe	\$4.0
5	ArenaX Labs	NA	1	\$6.0	15	REFORGED LABS	Reforged Labs	NA	\$3.9
6	Pentagon Games	Asia	3	\$6.0	16	ma GE	Mage Games	Asia	\$3.5
7	Bitpart.AI	NA	1	\$5.4	17	GFAL	GFAL	Europe	\$3.2
8	Wanruntong	Asia	1	\$5.0	18	FANTAGOAL	FantaGoal	Asia	\$3.0
9	Jabali	NA	1	\$5.0	19	VIDEOGAME.ai	Videogame.ai	NA	\$2.6
10	Metica	Europe	1	\$5.0	20	Skytopia	Skytopia	NA	\$2.4

Note 1: AI = companies that mention “artificial intelligence”, “machine learning”, or AI in their company description; Source: CB Insights

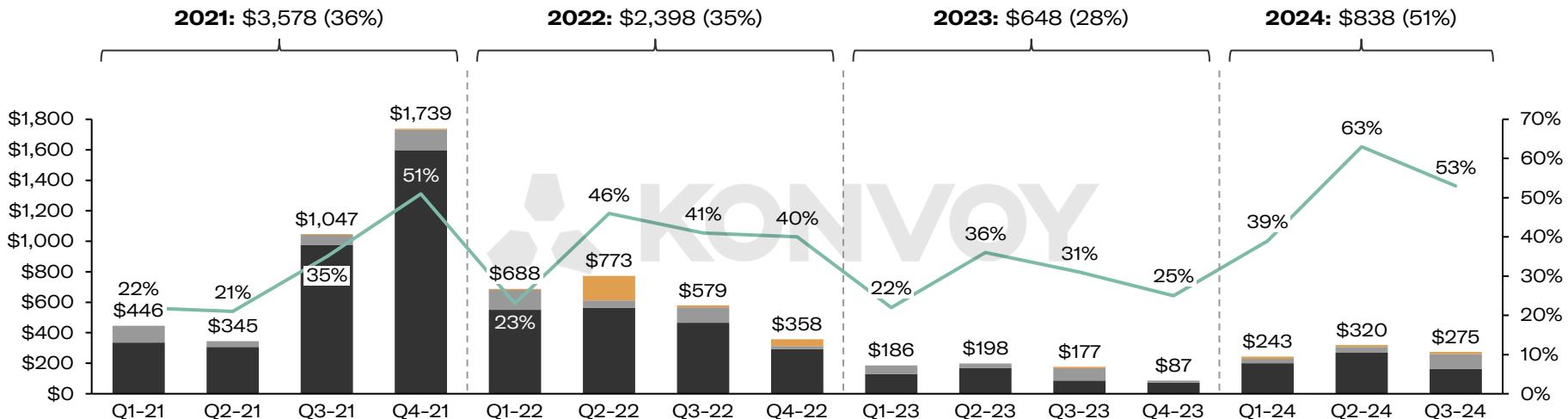


Gaming VC: Blockchain and AI funding

Less VC capital is going into AI-related companies now compared to blockchain in 2021

\$ in millions, % of total Gaming VC funding

% of VC funding Both AI Blockchain



Note 1: AI = companies that mention “artificial intelligence”, “machine learning”, AI, or ML in their company description; Blockchain = companies that mention “blockchain”, “web3”, adjectives related to decentralization, “play-to-earn”, and equivalent acronyms; Source: CB Insights

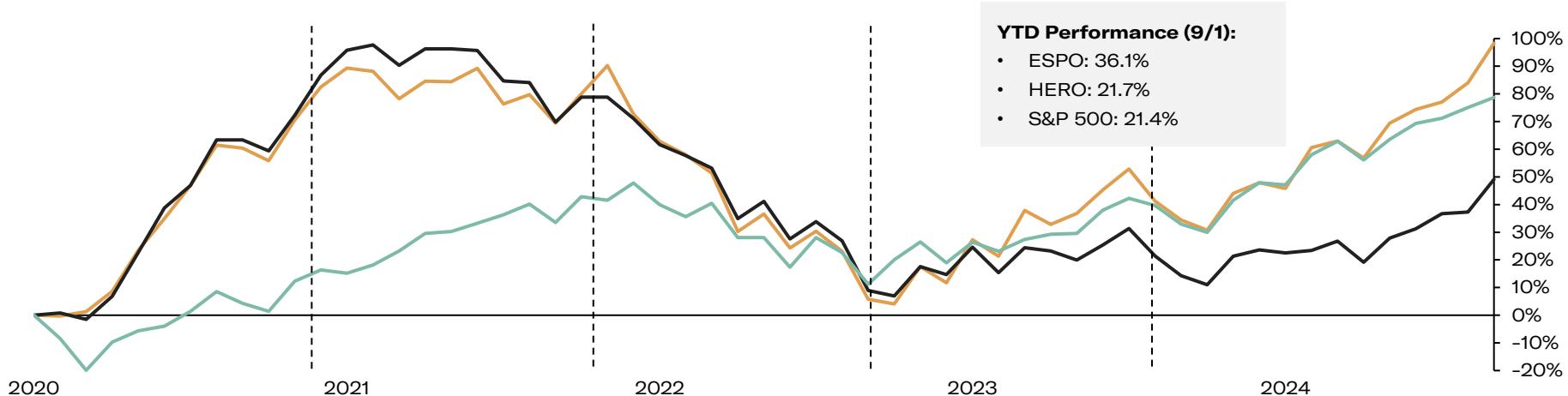


Gaming in the public markets

ESPO and HERO have both outperformed the S&P 500 YTD

Stock performance of gaming ETFs, % change from January 2020

— ESPO — HERO — S&P500



Source: Public reporting as of September 1, 2024; Note: ESPO seeks to track the MVIS Global Video Gaming and eSports Index (MVESPORTR), HERO seeks to track a modified market-cap-weighted global index of companies in video games and esports industry



Public gaming companies hold \$33bn in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
Nintendo	\$9.6bn
sea	\$2.6bn
NetEase Games	\$2.6bn
KRAFTON	\$2.4bn
Electronic Arts	\$2.4bn
BANDAI NAMCO	\$1.8bn
KONAMI	\$1.7bn
Others ¹	\$10.5bn
Total	\$33.4bn

Tech companies with gaming divisions

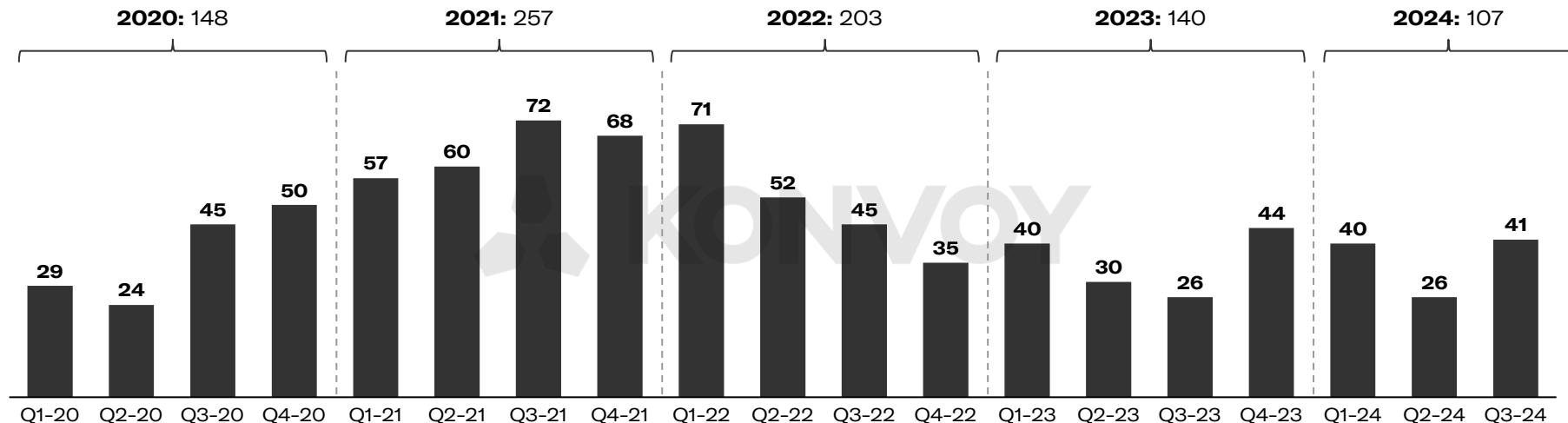
Company	Cash & equivalents ² (USD)
amazon	\$71.2bn
Meta	\$32.0bn
Google	\$27.2bn
Apple	\$25.6bn
Tencent 腾讯	\$21.1bn
Microsoft	\$18.3bn
SONY	\$12.6bn
NETFLIX	\$6.6bn
Total	\$214bn

1: Nexon, Square Enix, Ubisoft, Unity, Sega, TTWO, Roblox, Playtika, Applovin, Embracer, NCSoft; 2: Does not include short-term investments; Source: Latest public reporting and converted to based on historical exchange rate on June 28, 2024



Gaming M&A: 41 transactions in Q3-24

Gaming M&A sets 2024 high (+58% MoM)



Note 1: Deals are not included in the private markets overview or the debt financing overview; Note 2: Deal transaction values are predominantly not disclosed; Note 3: Q2-24 does not include BeReal's acquisition of Voodoo (\$500m) or Sensor Tower's acquisition of data.ai; Note 4: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Largest gaming tech & platform VC deals

Gaming tech & platform investments – Q3 2024

	Company name	Stage	Raise, \$m	Region
 ID PLANET	ID Planet	Series B	\$80.0	North America
 VOLLEY	Volley	Series C	\$55.0	North America
 V SERIES	Series Entertainment ¹	Series A	\$28.0	North America
 MEDAL	Medal	Series D	\$13.0	Europe
 FRVR	FRVR	Series B	\$12.7	Europe
 a Artificial Agency	Artificial Agency	Seed	\$12.0	North America
 Rune	Rune (ex: Dusk)	Seed	\$8.0	North America
 Cartridge	Cartridge	Series A	\$7.5	North America
 NERD ST GAMERS	Nerd Street Gamers*	Series D	\$6.0	North America
 PENTAGON GAMES	Pentagon Games	Seed	\$6.0	Asia

Comments:

- 9 of the top 10 T&P deals were into companies in NA or Europe
- Funding for the top 10 T&P deals totaled \$228.2m (-7% QoQ)
- 4 of the top 10 T&P deals (Volley, Series Entertainment, Artificial Agency, and Pentagon; \$101m in funding) explicitly mention their AI capabilities on their website

* denotes Konvoy portfolio company; 1: Series Entertainment is considered both tech & platform and content; Source: CB Insights



Largest game content VC deals

Game content investments – Q3 2024

	Company name	Stage	Raise, \$m	Region
 HYBE	HYBE IM	Series B	\$80.0	Asia
 AZRA GAMES	Azra Games	Series A	\$32.6	North America
 SERIES	Series Entertainment ¹	Series A	\$28.0	North America
 ESCHATOLOGY ENTERTAINMENT	Eschatology Entertainment	Series A	\$11.3	Europe
 GAMEPLAY GALAXY	Gameplay Galaxy	Seed	\$11.2	North America
 double jump.Tokyo	Double Jump.Tokyo	Series D	\$10.0	Asia
 Cypher	Cypher Games	Seed	\$10.0	Asia
 AUTOLEGENDS	Auto Legends	Series A	\$8.0	North America
 BLUE SCARAB	Blue Scarab Entertainment	Seed	\$7.0	Europe
 DARKBRIGHT	Darkbright Studios	Seed	\$6.0	North America

Comments:

- The top 10 Content deals totaled \$204.0m (+73% QoQ), primarily driven by outlier, HYBE IM
- 3 of the top 10 Content deals (\$53.7m) were into web3-related studios

1: Series Entertainment is considered both tech & platform and content; Source: CB Insights

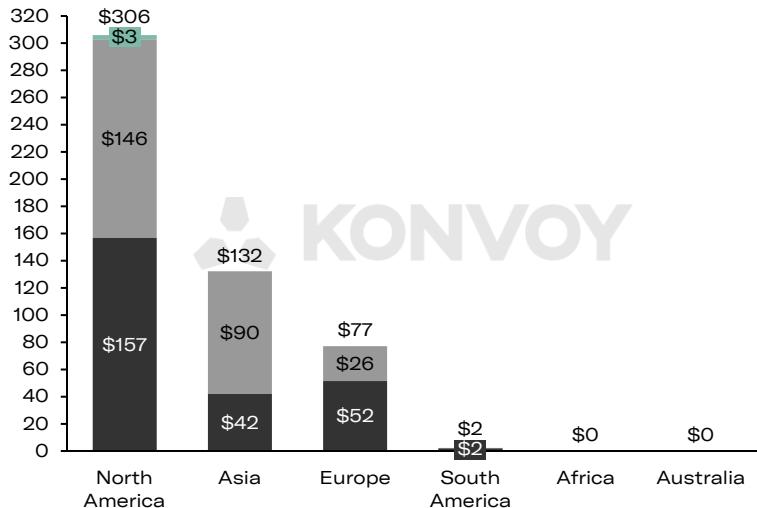


Regional Breakdown

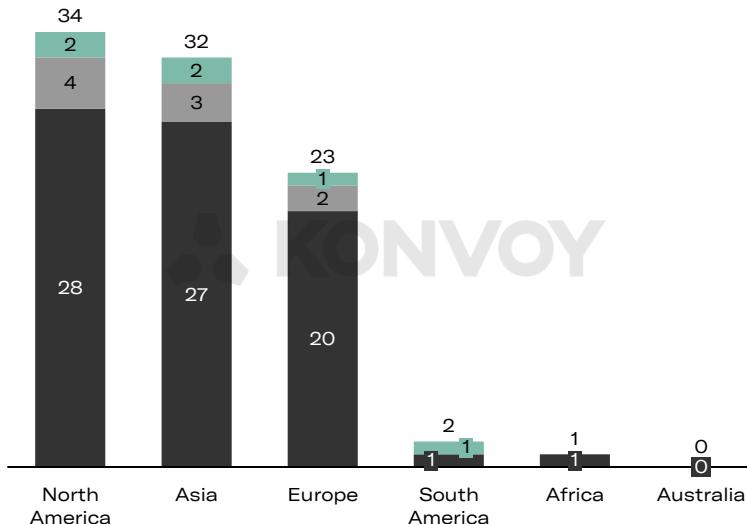


Gaming deals globally: at a glance

Gaming venture funding in Q3 2024, \$m



Number of gaming venture deals in Q3 2024

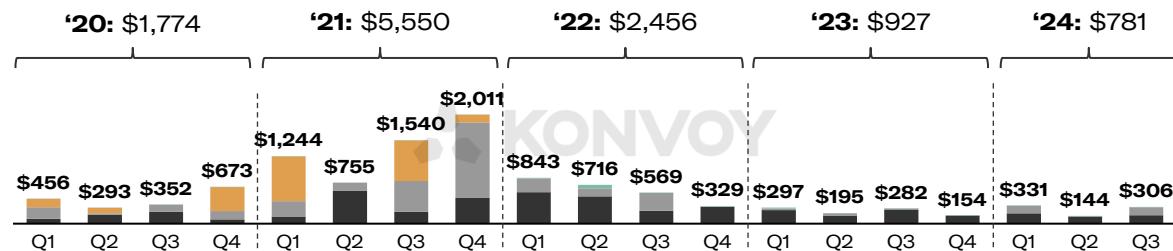


Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Some funding amounts may not be disclosed in source data; Source: CB Insights

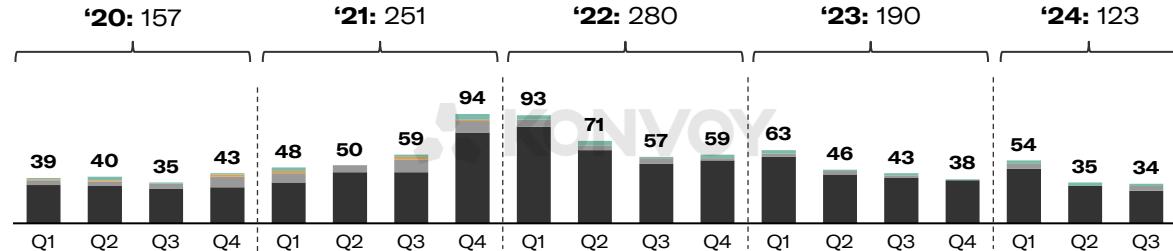


NA: similar funding to Q1 despite less deals

Gaming venture funding from Q1 2020 through Q3 2024, \$m



of gaming venture deals from Q1 2020 through Q3 2024



* denotes Konvoy portfolio company; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights

■ Early ■ Growth ■ Late ■ Unattributed VC



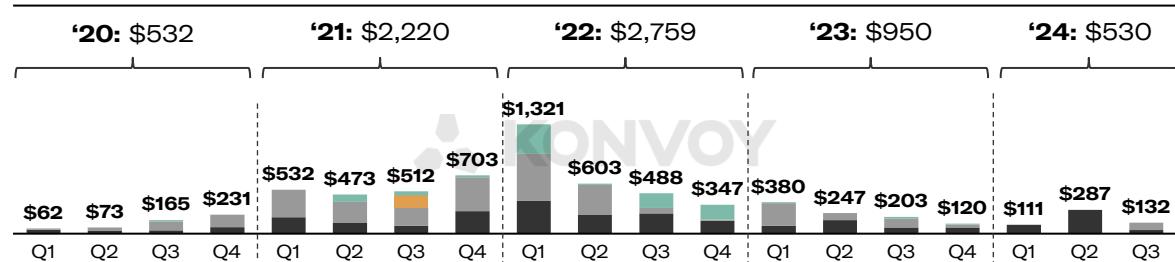
Largest VC deals in Q3

Company	Size
ID Planet	\$80.0m
Volley	\$55.0m
Azra Games	\$32.6m
Series Entertainment	\$28.0m
Artificial Agency	\$12.0m
Gameplay Galaxy	\$11.2m
Rune (ex: Dusk)	\$8.0m
Auto Legends	\$8.0m
Cartridge	\$7.5m
Nerd Street Gamers*	\$6.0m
Darkbright Studios	\$6.0m

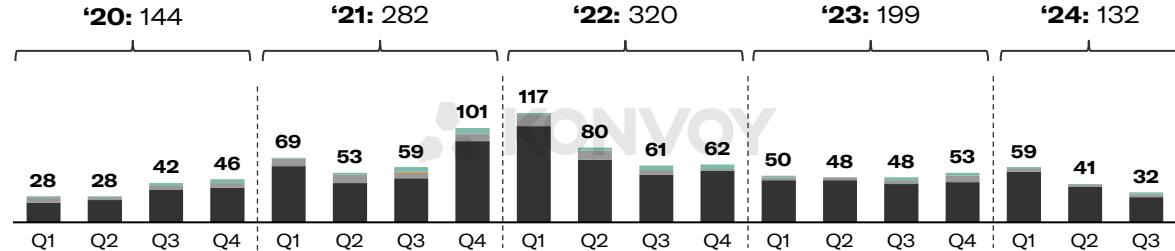


Asia: Q3 growth funding sets 12-month high

Gaming venture funding from Q1 2020 through Q3 2024, \$m



of gaming venture deals from Q1 2020 through Q3 2024



Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights

■ Early ■ Growth ■ Late ■ Unattributed VC



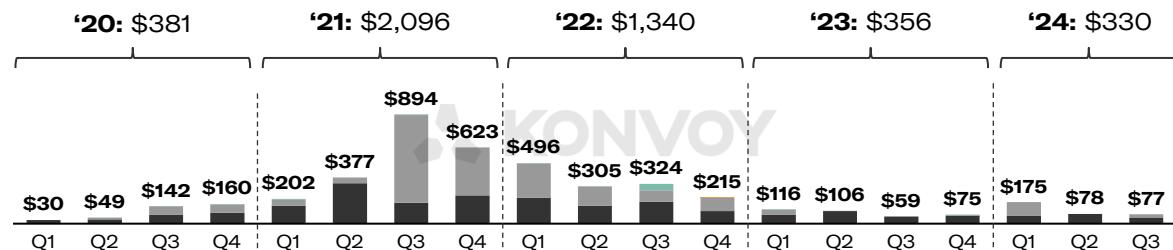
Largest VC deals in Q3

Company	Size
HYBE IM	\$80.0m
Double Jump.Tokyo	\$10.0m
Cypher Games	\$10.0m
Pentagon Games	\$6.0m

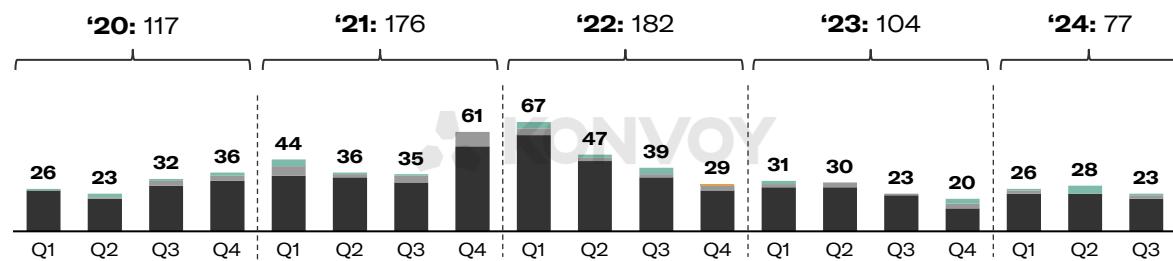


Europe: similar funding QoQ (-1%)

Gaming venture funding from Q1 2020 through Q3 2024, \$m



of gaming venture deals from Q1 2020 through Q3 2024



Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights

■ Early ■ Growth ■ Late ■ Unattributed VC



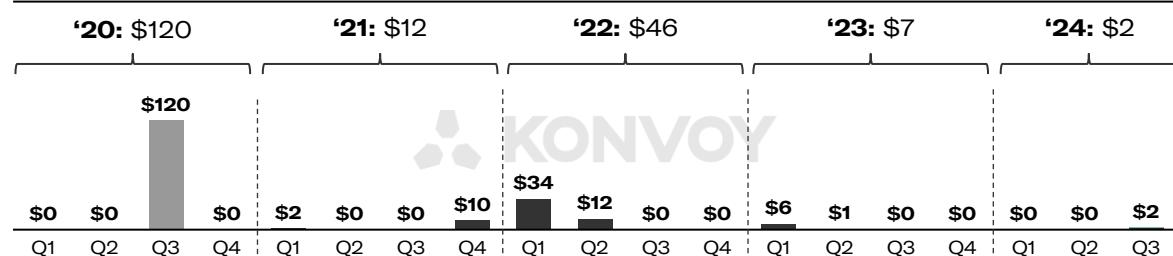
Largest VC deals in Q3

Company	Size
Medal	\$13.0m
FRVR	\$12.7m
Eschatology Entertainment	\$11.3m
Blue Scarab Entertainment	\$7.0m

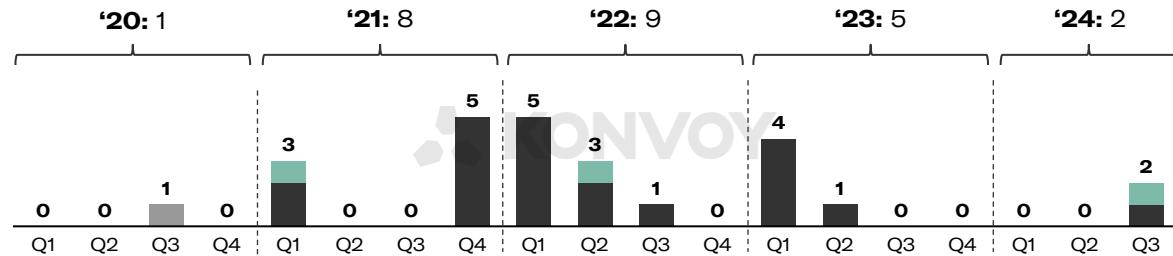


South America: first deals¹ done this year

Gaming venture funding from Q1 2020 through Q3 2024, \$m



of gaming venture deals from Q1 2020 through Q3 2024



1: Announced deals; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights

■ Early ■ Growth ■ Late ■ Unattributed VC



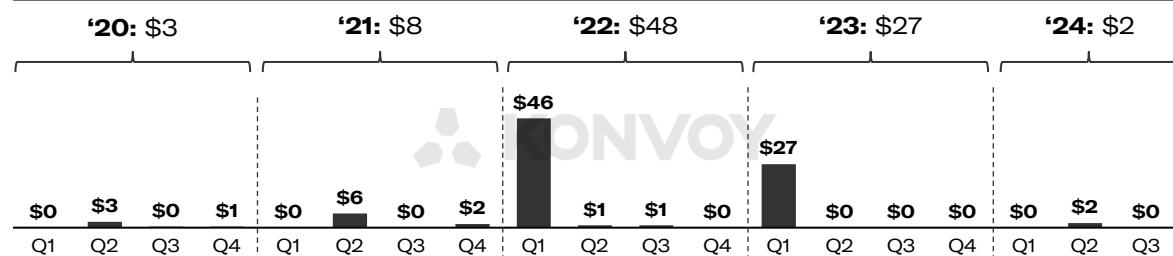
Largest VC deals in Q3

Company	Size
ETW	\$2.0m
Rockhead Games	\$0.2m



Africa: no deals¹ done in Q3-24

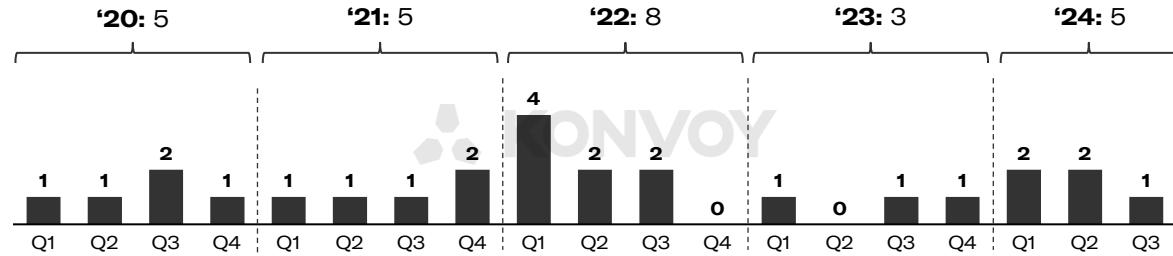
Gaming venture funding from Q1 2020 through Q3 2024, \$m



Largest VC deals in Q3

Company	Size
Saikoro	Unknown

of gaming venture deals from Q1 2020 through Q3 2024

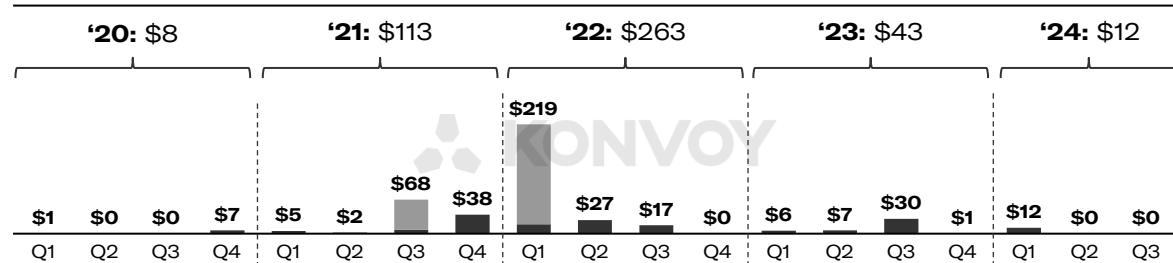


1: Announced deals; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Australia: no deals¹ done in Q3-24

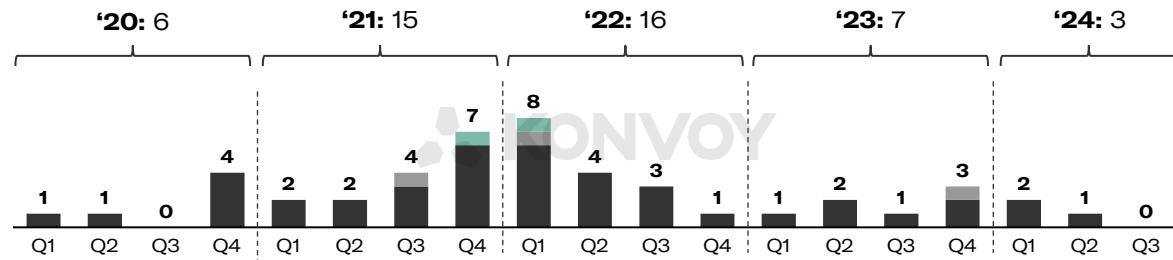
Gaming venture funding from Q1 2020 through Q3 2024, \$m



Largest VC deals in Q3

Company	Size
No deal data available	

of gaming venture deals from Q1 2020 through Q3 2024



1: Announced deals; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



- 1 Epic sidesteps Apple in the EU, sues Google
- 2 Discord launches Activities
- 3 AI: Google <> Character.ai, Canva <> Leonardo.ai
- 4 Savvy Games Group partners with Xsolla
- 5 US Senate passes online child safety bills
- 6 FTC sues TikTok for violating COPPA
- 7 Keywords Studios goes private (\$2.8bn)
- 8 Unity fully removes Runtime Fee

Trends + Current Events



1

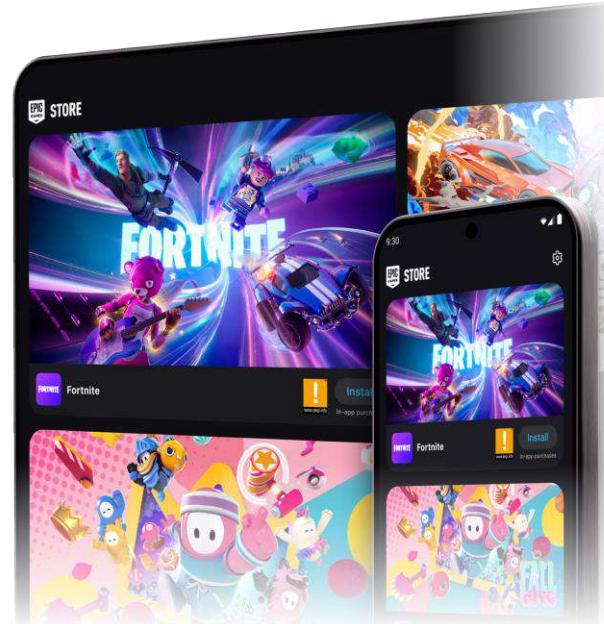
Epic sidesteps Apple in the EU, sues Google

Apple (iOS): In August, Epic launched their own app store for iOS in the European Union. This is the first time that Apple has faced a rival app store on its native operating system.

- 3P games will begin onboarding in December - Epic will take a maximum 12% commission (vs Apple's 30%)

Google (Android): In September, Epic announced that they have filed a lawsuit against Google and Samsung for illegally colluding to block competition in distribution via the Auto Blocker feature:

- The Auto Blocker feature is a setting that disables the user's ability to install apps from any platform other than the Google Play Store and the Samsung Galaxy Store
- Epic is asking the court to mandate a reversal of the feature and to uphold the previous jury verdict against anti-competitive measures (Epic vs Google)



Source: Epic Games, GamesIndustry.biz, The European Commission

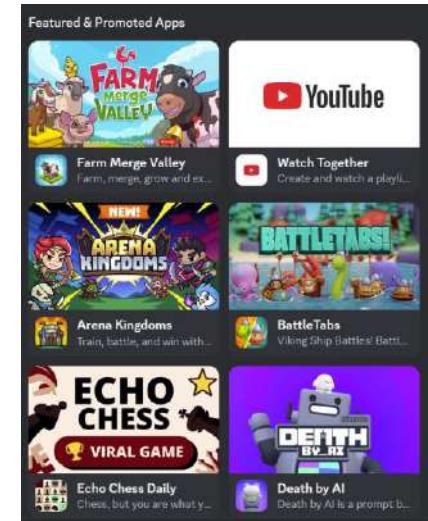


Discord launches Activities

On September 26, 2024, Discord launched Activities for all developers. Activities are multiplayer games and social experiences that can be launched in Discord and benefit from integrating with Discord's features like user profiles.

Overview

- Development:** Activities are single page web apps embedded in the Discord app. These web apps use the Embedded App SDK (launched March 18, 2024) to communicate with the Discord clients
- Discovery:** Today, there are over 2,000 apps available. To help with discovery, Discord released their App Launcher on September 24, 2024 for both mobile and PC. Users can now discover Trending and Popular apps via search and add them to either a specific server or their own account. Additionally, Discord is leveraging existing social networks more efficiently – users can more easily see and join Activities friends and fellow server members are actively using
- Monetization:** Developers are now able to launch in-app purchases (IAP) directly within their Activities and release and track premium features such as Durable (permanent) SKUs and Consumable SKUs



Source: Discord



3

AI: Google <> Character.ai, Canva <> Leonardo



Character.AI

Google hires Character.ai team, licenses models

- Character.ai is an AI chatbot platform where users can interact with customizable characters
- In August, 2024, Character.ai, announced that they have signed an agreement with Google, granting them a non-exclusive license to their technology in exchange for funding (undisclosed amount)
- As a part of the deal, Character.ai's 2 co-founders will rejoin Google, bringing along a small team



Leonardo.Ai

Canva acquires Leonardo.ai

- On July 29, 2024, Canva announced that they will be acquiring Leonardo, an AI tool for creating and editing images
- In addition to the foundational models, Canva is acquiring a team of 120 researchers, engineers and designers
- Leonardo is the second AI-related acquisition by Canva: Kaleido, the drag-and-drop background removal service for images and video, was acquired in 2021

Source: Character.ai, Canva, Reuters, TechCrunch



Savvy Games Group partners with Xsolla

On August 27, 2024, Savvy Games Group and Xsolla finalized their partnership agreement to work together to further Saudi Arabia's vision of becoming a global gaming and esports hub by 2030. There are 4 key initiatives:



Create 3,600 new gaming jobs by 2030 in Saudi Arabia



Establish a regional Xsolla HQ in Riyadh



Establish an academy, incubator and accelerator in Riyadh



Host industry-leading events that support developers in Riyadh



"Over the past few years, Saudi Arabia has proven its commitment to building a lasting gaming ecosystem for itself and the region. This partnership marks a crucial first step in our mission to empower a new generation of game developers in one of the most dynamic and rapidly growing regions for the esports and gaming industries."

– Chris Hewish, Chief Strategy Officer at Xsolla

Source: Xsolla

US Senate passes online child safety bills

On July 30, 2024, the U.S. Senate overwhelming passed 2 child safety bills:

1 Kids Online Safety Act (KOSA)

KOSA aims to establish a broad “duty of care” for online platforms, requiring them to take reasonable measures to prevent and mitigate various sources of harm to minors (17 and under)

2 Children and Teens’ Online Privacy Protection Act (COPPA 2.0)

COPPA 2.0 aims to update the original Act passed in 1998 in 3 specific ways:

1. Extend the age of protection from under 13 to under 16 years old
2. Strengthen data privacy protections for minors by requiring explicit consent from guardians, broadening the definition of personal information, and restricts the amount of time companies can store minors’ personal information
3. Mandate clear and accessible mechanisms for parents and teenagers regarding data collection



What's happens next?

Both bills now await review and approval by the House of Representatives, which reconvened on September 9, 2024.

However, it has been noted by multiple sources that it is uncertain if the House will review either KOSA or COPPA 2.0 by the end of the session, given the size of queue they have.

Source: U.S. Senate



6 FTC sues TikTok for violating COPPA

In August 2024, the Federal Trade Commission (FTC) filed a lawsuit against TikTok and its parent company ByteDance for violating children's privacy laws (COPPA).

The FTC alleges that TikTok:

1. Knowingly and repeatedly violated kids' privacy, threatening the safety of millions of children across the country
2. Allowed millions of children under 13 on their platform designated for users 13 years and older, violating the Children's Online Privacy Protection Act (COPPA)
3. Collected personal data from underage users without notifying their parents or obtaining consent
4. Built back doors into its platform that allowed children to bypass age restrictions
5. Made it difficult for parents to request deletion of their child's account and often failed to comply with such requests



What's happens next?

The complaint asks the court to impose civil penalties against ByteDance and TikTok and to enter a permanent injunction against them to prevent future violations of COPPA. The FTC allows civil penalties up to \$51,744 per violation, per day.

The Commission voted 3-0-2 to refer the complaint to the Department of Justice.

Source: U.S. Senate

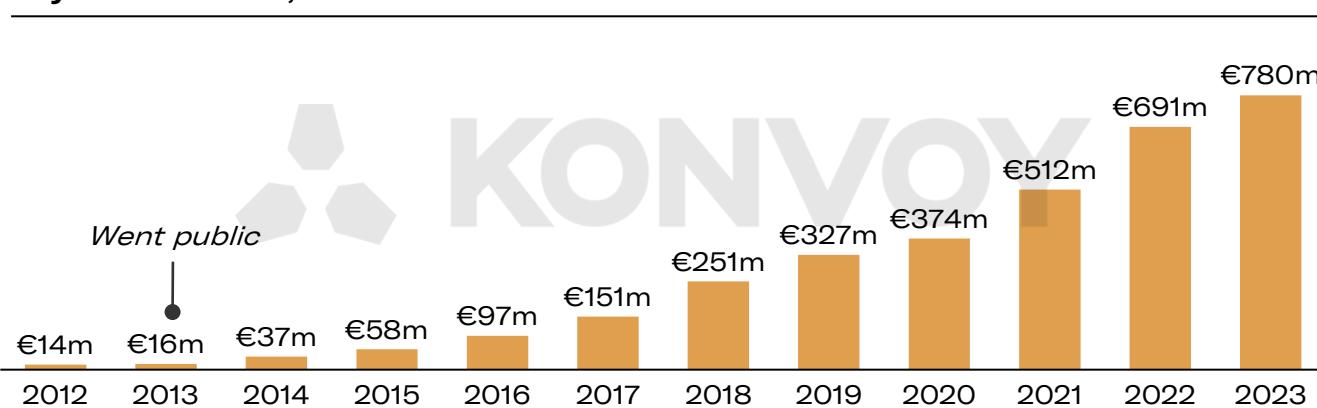


Keywords Studios goes private (\$2.8bn)

On July 3, 2024, EQT, Temasek, and Canadian Pension Plan (CPP) announced their pending acquisition of Keywords Studios, taking the company private off of the London Stock Exchange.

Up until this point, Keywords Studios has been a strong acquirer in this space, spending €225m in acquisitions in 2023 alone (>2x what was spent from 1998-2021).

Keywords revenue, €M



Source: Keywords Studios, public reporting

In 2023, \$38bn was spent in video game content creation; 66% of this was internal investment and 34% of this was spent on outsourced external content creation.

With a strong cash position and well-funded partners on their cap table, Keywords is in a strong position in this market.



Unity fully removes Runtime Fee

History of the Runtime Fee

On September 12, 2023, Unity first instituted a new pricing model (the Unity Runtime Fee) which would charge developers based on game installs rather than the previous subscription-based model. This was instituted to due to a lack of profitability and IDFA pressure on the Ads business, however, was met with serious backlash.

10 days later, Unity walked back from this model, removing the Runtime Fee for personal licenses, offering optionality between a 2.5% revenue share or a calculated amount based on monthly new user engagement, and allowing self reporting of numbers.



Exactly 1 year later on September 12, 2024, Unity announced that they will be removing the Runtime Fee for games customers entirely. Instead, they will be reverting to their previous seat-based subscription model, including for the future Unity 6:

- **Unity Personal:** Will remain free and the revenue and funding ceiling will increase from \$100k to \$200k
- **Unity Pro:** \$2,200 per seat per year (+8%); required for customers with >\$200k of total annual revenue and funding
- **Unity Enterprise:** +25% subscription price increase across all Unity Enterprise customers; required for customers with >\$25m of total annual revenue and funding

“Canceling the Runtime Fee for games and instituting these pricing changes will allow us to continue investing to improve game development for everyone while also being better partners” – Matt Brombert, President and CEO of Unity

Source: Unity



Top gaming industry conferences / events

2024 events schedule

Event	Location	Dates	Category
Pocket Gamer Connects*	Multiple	Multiple	Gaming
Consumer Electronics Show (CES)*	Las Vegas, NV	January 9-12, 2024	Technology
Design, Innovate, Communicate, Entertain (DICE) Summit*	Las Vegas, NV	February 13-15, 2024	Gaming
South by Southwest (SXSW)*	Austin, TX	March 10-19, 2024	Gaming, Media, Technology
Game Developers Conference (GDC)*	San Francisco, CA	March 18-22, 2024	Gaming
GamesBeat Summit 2024	Los Angeles, CA	May 20-21, 2024	Gaming
Augmented World Expo (AWE)*	Long Beach, CA	June 18-20, 2024	Gaming, Technology
Gamescom Latam (Prev: BIG)	São Paulo, Brazil	June 26-30, 2024	Gaming, Media
Siggraph*	Denver, CO	July 28 - August 1, 2024	Gaming, Media, Technology
Gamescom Germany*	Cologne, Germany	August 21-25, 2024	Gaming
Tokyo Game Show	Tokyo, Japan	September 26-29, 2024	Gaming
India Game Developer Conference (IGDC)*	Hyderabad, India	November 13-15, 2024	Gaming
Slush*	Helsinki, Finland	November 20-21, 2024	Gaming, Technology

KONVOY

* denotes events our team at Konvoy plans to attend



Konvoy: Overview and Team

33



Konvoy: by the numbers

\$260m

Assets under
management (AUM)

52

Investments¹



3

Funds

38%

Of all funds invested
outside of NA

Our top newsletters published in Q3 2024:

1. [Fundraising Challenges in Gaming](#)
2. [The Invisible \\$2.8B Company](#)
3. [Building a Foundation for Esports](#)
4. [The Web: Tearing Down the Walled Garden](#)
5. [Failure to Launch: The Series A Crunch](#)

¹: Initial investments



Konvoy invests in the platforms and technologies at the frontier of gaming

Investment Stage

Pre-Seed, Seed,
Series A

Check Size

\$1m - \$5m

Fund III

\$150m



The Konvoy Team

Managing Partners



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Jason Chapman



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Investment Team



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