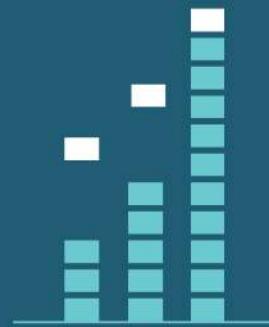
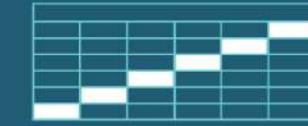




A central graphic element on a teal background. At the top left is the 'DDM >' logo. To the right is a line graph with two data points connected by a dashed line. Below the graph is a bar chart with four bars of increasing height. In the center is the title 'Games Investment Review' in large, serif capital letters. At the bottom is the text 'Q3 2023 FREE SUMMARY REPORT' in a smaller, sans-serif font.



About DDM

Digital Development Management

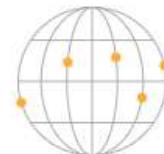
DDM >

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

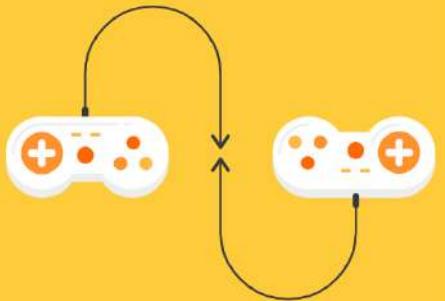
700+

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.

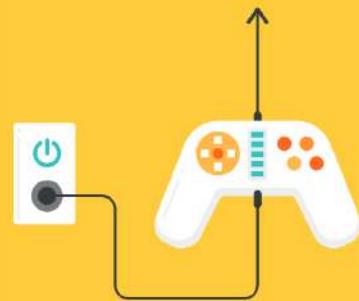
Consulting from experts who know the games business. We create action plans that are actually used.



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** (BusinessWire, 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** (TechCrunch, September 12, 2022)
- OtherSide Entertainment gets new investment from Aonic Group** (TechCrunch, September 12, 2022)

Q3 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.





Q3's \$7.1B Investments/M&As Receive a Bump After Full-Year Decline

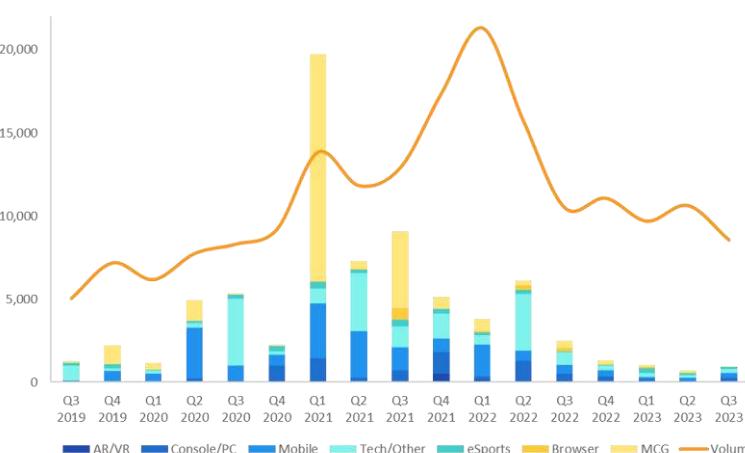
After nearly two full years of enduring macroeconomic headwinds of high inflation and recession fears, an ongoing crypto winter, and slower economic growth, the games industry had a nice bump after a full-year of declined values. Q3 2023 totaled \$7.1B across 166 transactions (+769% in value and -18% in volume compared to Q2's \$818.4M across 202 transactions):

- ▶ Q3 2023 investments totaled \$965.4M across 136 investments (+36% in value and -20% in volume over Q2's \$710.1M and 169 investments); this increase is due to several investments ≥\$50M including Candivore's \$100.0M mid/late-stage raise
- ▶ Q3 2023 M&As totaled \$6.1B across 30 transactions (+5569% in value and -9% in volume over Q2's \$108.4M across 33 transactions); this 56x increase in value was due to Saudi Arabia's \$4.9B acquisition of Scopely and Sega's \$775.4M acquisition of Rovio accounting for 92% of the quarter's value
- ▶ Q3 2023 IPOs totaled \$31.4M in combined market capitalizations across 3 IPOs (+48% in value and a +50% increase compared to Q2's \$22.4M in combined market capitalizations across 2 IPOs)
- ▶ DDM tracked over \$9.4B in new capital raised across 31 new funds (+19% in value and -16% in volume compared to Q2's \$7.9B across 37 new funds); this boost was from 3 funds raising \$1B+ including True Light Capital's \$3.3B True Light Fund I
- ▶ Q3 2023's new fund announcements increase is still a drastic decline from Q4 of 2021's top of \$45.8B across 41 funds (-79% in value and 24% in value) demonstrating market conditions have made it very difficult for fund managers to raise money

Fund Announcements (\$M)



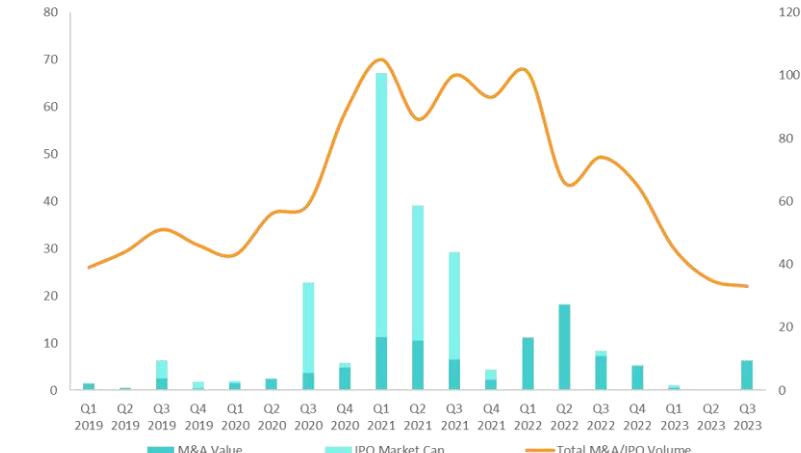
Investments (\$M)



M&As (\$M)



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



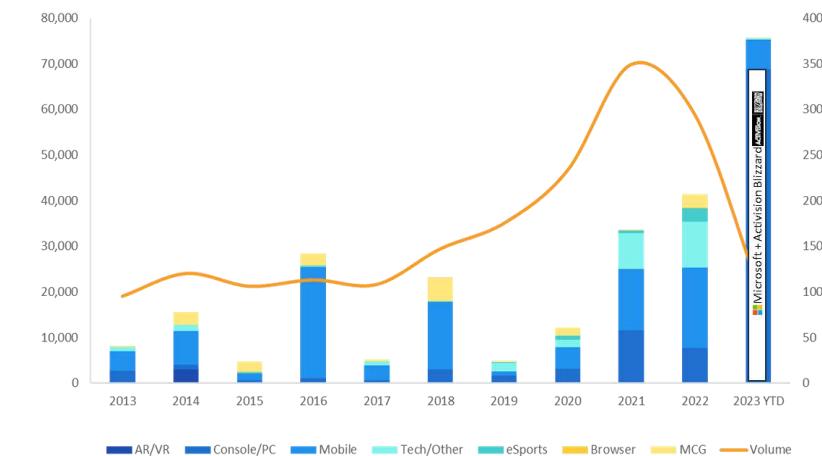


Microsoft + Activision Blizzard Create Record 2023 Year

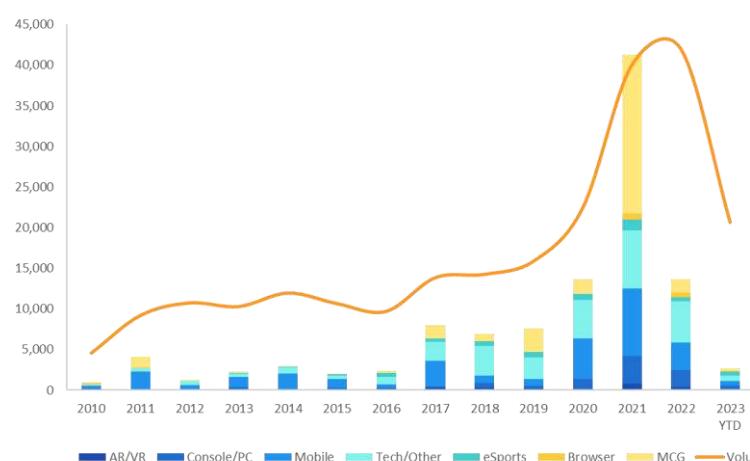
Looking forward to Q4, while Q3 2023 had a nice increase after a yearly quarter-over-quarter decline in values across investments and M&As, 2023 will be record-breaking after Microsoft acquired Activision Blizzard for \$68.7B in October 2023:

- ▶ YTD 2023 investments totaled \$2.7B across 459 investments (-78% in value and -39% in volume over 2022's Q1-Q3's \$12.4B over 756 investments)
- ▶ YTD 2023 M&As totaled \$6.8B across 104 transactions (-81% in value and -55% in volume compared to 2022's Q1-Q3's \$36.3B across 233 transactions)
- ▶ YTD 2023 IPOs totaled \$507.3M across 9 IPOs (-60% in value and +13% in volume compared to 2022's Q1-Q3's IPOs totaling \$1.3B across 8 IPOs)
- ▶ YTD 2023 Exits (M&As + IPOs) totaled 9534.0M across 563 transactions (-75% in value and +134% in volume compared to 2022's Q1-Q3's 37.5B total across 241 transactions)
- ▶ Microsoft's \$68.7B acquisition of Activision Blizzard inflates 2023 to become a record-breaking year across investments and M&As in combined value and is greater than the sum of previous ten M&A quarters totaling \$67.3 Billion
- ▶ While this transaction will make 2023 a historic year, most company valuations remain dampened and revenues are lower, resulting that 2023 is not a true "reversal" of declines seen from previous quarters

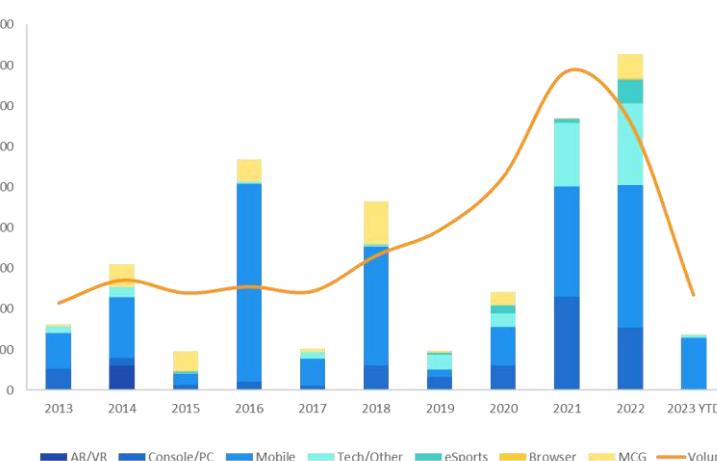
M&As with Q4 2023 Microsoft/Activision Blizzard (\$M)



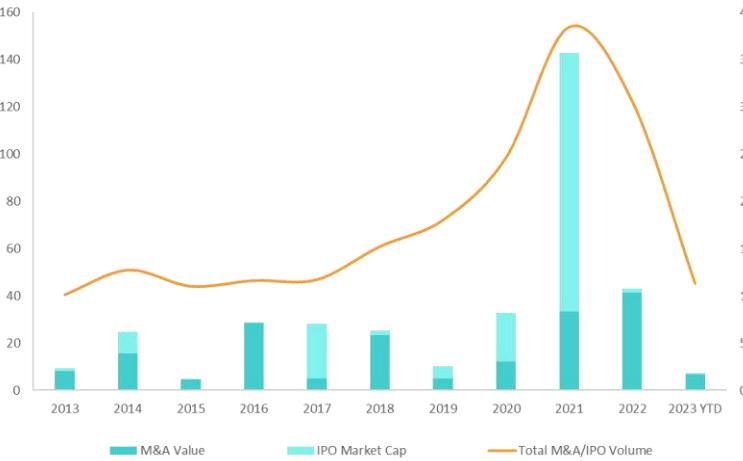
Investments (\$M)



M&As (\$M)



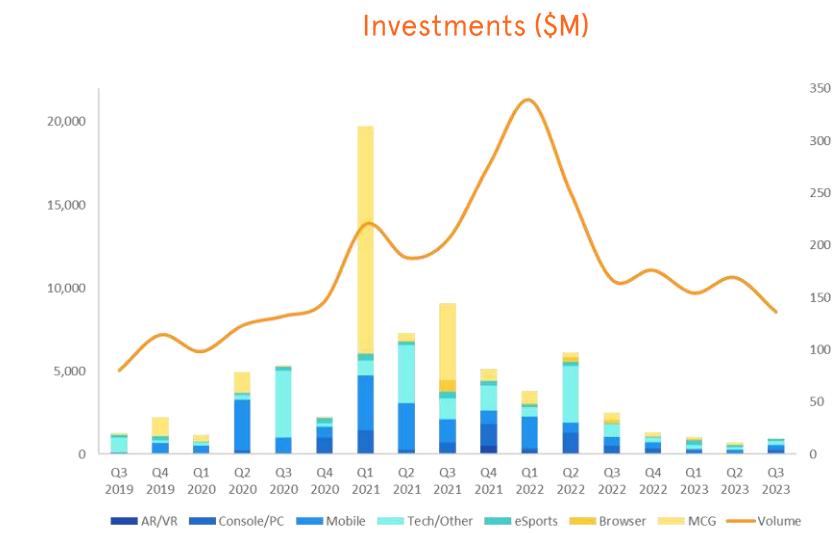
Exits (M&A + IPOs) (\$B)



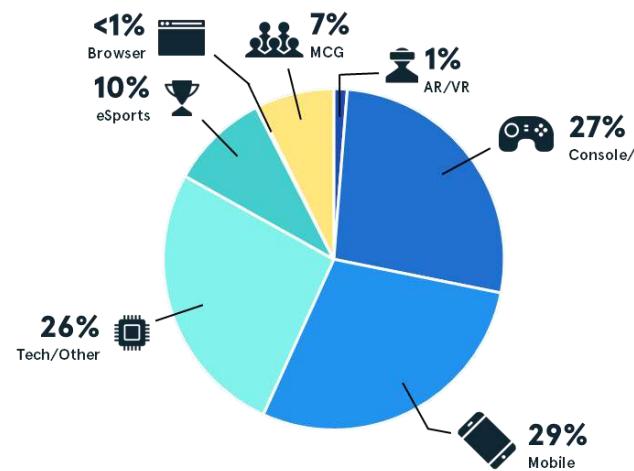


Q3's \$965.4M in Game Investments Ends Full-Year of Value Decline

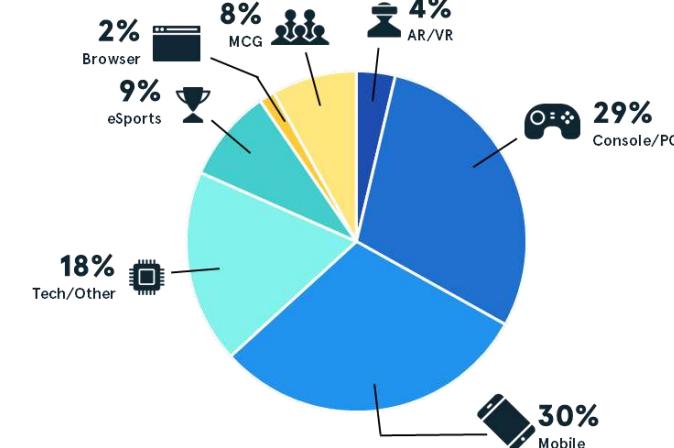
- Q3 2023 investments totaled \$965.4M across 136 investments (+36% in value and -20% in volume compared to Q2's \$710.1M across 169 investments) ending the trend of decline of investment values dating back to Q2 2022 which achieved \$6.1B across 250 investments; Q3's bump was a result of several sizable investments ≥\$50M including Candivore's \$100.0M mid/late-stage investment
- Among third quarters for any given year, while deal volume regressed slightly in Q3 to 136 investments, it still achieved the third best Q3 across 14+ years of data, only being edged by 2021's Q3 of 205 and 2022's Q3 of 167 investments
- Highest segment by value was led by Mobile (29%), followed by Console/PC (27%), Tech/Other (26%), eSports (10%), MCG (7%), AR/VR (1%), and Browser (<1%)
- Highest segment by volume was led by Mobile (30%), followed by Console/PC (29%), Tech/Other (18%), eSports (9%), MCG (8%), AR/VR (4%), and Browser (2%)
- Similar to last quarter where Q2 undisclosed investments were above the historical average of 16%, Q3 increased slightly to 26% compared to Q2's 22% of undisclosed investments
- Q3 2023 reached nearly \$1.0B [+/- \$18.9M] by using historical averages to estimate the undisclosed investment values



Segments by Value

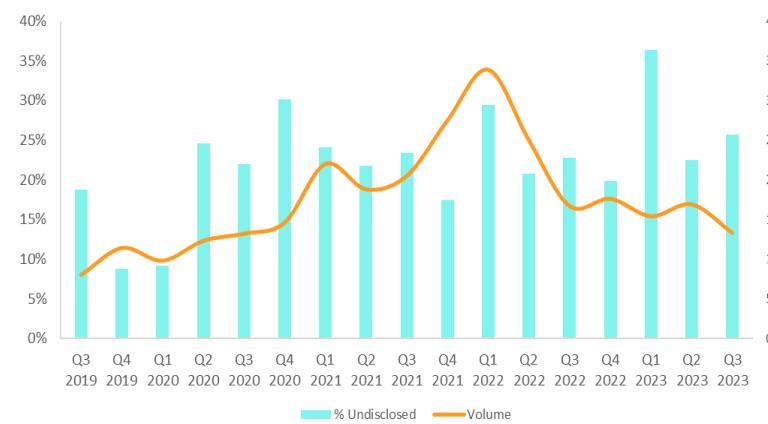


Segments by Volume



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

% of Undisclosed Investments vs Deal Volume



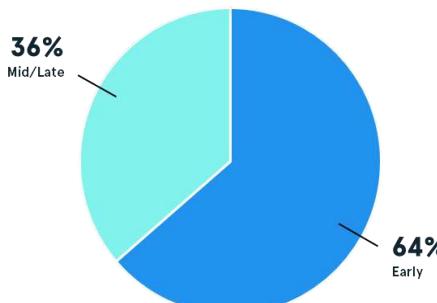


North America Reclaims Most Investments at \$316.4M Across 51 Investments

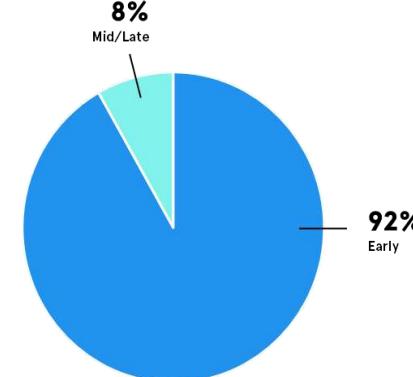
- ▶ Early-stage rounds totaled \$447.9M across 89 investments (50% of the value and 65% of the volume); mid/late-stage rounds totaled \$272.4M across 8 investments (28% of the value and 6% of the volume)
- ▶ Seed rounds led the quarter in value and in volume totaling \$285.1M across 59 investments (30% of the value and 43% of the volume)
- ▶ While Series A was the second most active round for the quarter Series B edged past Series A in value totaling \$219.0M across 5 investments (23% of the value and 4% of the volume) compared to Series A totaling \$176.0M across 9 investments (18% of the value and 7% of the volume)
- ▶ Unlike last quarter where Europe edged past North American investments, North America was able to reclaim first in value and in volume as North America totaled \$316.4M across 51 investments (33% the value and 38% of the volume) compared to Europe's \$310.3M across 29 investments (32% of the value and 21% of the volume)
- ▶ Asia and the Middle East were the most active regions following North America and Europe as Asia totaled \$153.2M across 16 investments (16% of the value and 12% of the volume compared to the Middle East totaled \$113.5M across 10 investments (12% of the value and 7% of the volume); Latin America, Australia/NZ, and Africa were the least funded regions totaling a combined \$72.1M across 30 investments (8% of the value and 22% of the volume)



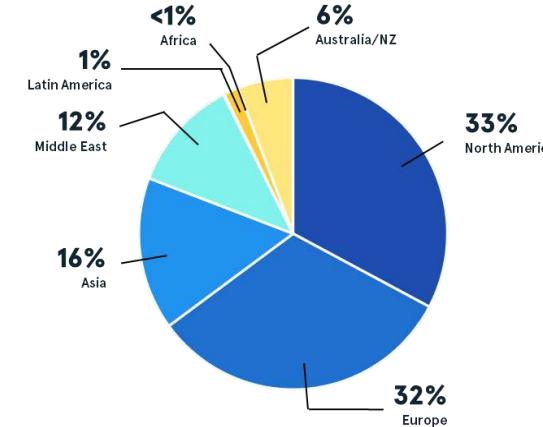
Stage by Value



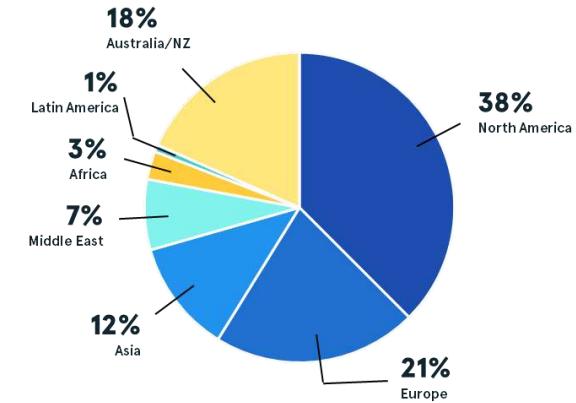
Stage by Volume



Region by Value



Regions by 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 Q3 2023

Top 10 Private Investments by Value Q3 2023

Segment	Date	Company	Value (\$M)	Stage	Company description	Country
Mobile	14 Aug 23	Candivore	100.0	Mid/Late	Mobile games developer	Israel
Tech/Other	18 Jul 23	Futureverse	54.0	Early	AI-driven blockchain metaverse infrastructure provider	New Zealand
Tech/Other	03 Aug 23	Inworld AI	50.0	Mid/Late	AI-based virtual character creation platform provider	USA
eSports	06 Jul 23	Veloce Esports	50.0	Mid/Late	Content creation service provider and esports organization	UK
Mobile	20 Sep 23	Proof of Play	33.0	Early	Blockchain games developer and infrastructure provider	USA
MCG	11 Jul 23	Gardens	31.3	Early	Multiplayer PC games developer	USA
Tech/Other	19 Jul 23	Cosmic Wire	30.0	Early	Blockchain metaverse infrastructure provider	USA
Tech/Other	28 Jul 23	hi	30.0	Early	Blockchain financial exchange and games platform provider	China
Mobile	20 Sep 23	Eloelo	22.0	Early	Social gaming and livestreaming platform provider	India
Console/PC	21 Sep 23	Mountaintop Studios	20.5	Early	PC games developer	USA

► While Q2's largest investment was Everdome's \$50.0M early-stage investment, Q3 had over 4 investments $\geq \$50.0M$ including, Candivore's \$100.0M mid/late-stage investment which was the largest investment and represented over 10% of the quarter's value

► Early-stage rounds dominated the Top 10 Private Investments as early-stage rounds reached \$270.8M across 8 investments (64% in value and 80% in volume) compared to mid/late-stage rounds totaling \$200.0M across 2 investments in the Top 10 private investments (36% in value and 20% in 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 Q3 2023

Disclosed Investments Q3 2023								
Category	AR/VR	Browser	Console/PC	eSports	MCG*	Mobile	Tech/Other	
No. Investments	4	2	15	10	10	34	22	
Top Deal by Value (\$M USD)	Wicked Saints Studios' \$3.5M Seed investment from Riot Games, Oregon Venture Fund, BRONZE, 1Up Ventures, Precursor Ventures, and others	Kandle's \$1.7M Seed investment from Saama, PointOne Capital, Cloud Capital, Good Capital, Founder's Room, Seeders, and others	Mountaintop Studio's \$20.0M early-stage investment from an unknown investor	Veloce Esports' \$50.0M mid/late-stage investment from GEM	Gardens' \$31.3M Series A investment from Lightspeed Venture Partners, KRAFTON, Dreamhaven, Tirta Ventures, Rendered VC, Transcend Fund, FunPlus, and others	Candivore's \$100.0M mid/late-stage investment from Haveli Investments, Union Tech Ventures, O.G. Venture Partners	Futureverse's \$48.0M Series A investment from 10T Holdings, Ripple	
Seed by Volume	75%	100%	60%	60%	50%	68%	50%	
Series A by Volume	0%	0%	13%	0%	20%	6%	14%	
Other by Volume	25%	0%	27%	40%	30%	26%	36%	
Q3 Median Segment Investment (\$M USD)	1.6	1.1	5.0	1.0	2.8	2.0	6.0	
Q3 Segment Total Value (\$M USD)	7.2	2.1	75.0	83.2	58.7	270.5	253.5	
Q2 Median Segment Investment (\$M USD)	3.9	7.0	1.6	10.2	6.5	3.0	6.0	
Q2 Segment Total Value (\$M USD)	7.7	14.0	29.2	110.7	120.2	109.6	253.5	

► 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 Q3 2023*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
Console/PC	05 Jul 23	Embracer Group	184.6	Other (Post IPO)	Console/PC games developer/publisher	Sweden
Mobile	14 Aug 23	Candivore	100.0	Mid/Late	Mobile games developer	Israel
Tech/Other	18 Jul 23	Futureverse	54.0	Early	AI-driven blockchain metaverse infrastructure provider	New Zealand
Tech/Other	03 Aug 23	Inworld AI	50.0	Mid/Late	AI-based virtual character creation platform provider	USA
eSports	06 Jul 23	Veloce Esports	50.0	Mid/Late	Content creation service provider and esports organization	UK
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Mobile	20 Sep 23	Eloelo	22.0	Early	Social gaming and livestreaming platform provider	India
Console/PC	21 Sep 23	Mountaintop Studios	20.5	Early	PC games developer	USA
Mobile	11 Sep 23	Animoca Brands	20.0	Mid/Late	Blockchain and mobile games developer/publisher	China
Mobile	13 Jul 23	Embrace	20.0	Mid/Late	Mobile games infrastructure analytics provider	USA
Tech/Other	13 Sep 23	Beat the Bomb	15.0	Mid/Late	Digital and LBE escape room-style experience provider	USA
Console/PC	11 Sep 23	Pahdo Labs	15.0	Early	AI-driven games developer and user-generated content platform provider	USA
Tech/Other	13 Jul 23	Spline	15.0	Early	AI-driven 3D assets tool provider	Chile
Mobile	12 Jul 23	Xterio	15.0	Early	Mobile/PC blockchain games developer and publisher	Switzerland
eSports	28 Sep 23	BLAST Premier	13.4	Mid/Late	eSports events service provider	Denmark
Mobile	15 Aug 23	ZTX	13.0	Early	Metaverse game developer and platform provider	South Korea
eSports	03 Aug 23	Mahjong Meta	12.0	Early	AI-based Mahjong blockchain gaming developer and platform provider	China

*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)

WeMade			
5 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
6.4		Early	Mobile
 Wemade's subsidiary, Wemix has invested in 5 blockchain mobile game studios, including SimSports and 4 undisclosed developers			

Samsung			
4 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
60.0	50.0	Early, Mid/Late	Tech/Other, Mobile
  Inworld AI, an AI-based virtual character creation platform provider, raised \$50.0M in a mid/late stage raise   AI-based moderation service provider GGWP raised \$10M in an early-stage round   Irreverent Labs, an AI-generated video tech provider, raised an undisclosed early-stage round from Samsung			

Andreessen Horowitz			
4 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
55.9	33.0	Early	Console, Mobile, Tech/Other
  Blockchain games developer and infrastructure provider Proof of Play raised \$33.0M in a seed round led by Andreessen Horowitz   Pahdo Labs, an AI-driven games developer and user-generated content platform provider, raised \$15.0M in a Series A raise led by Andreessen Horowitz   AI-driven games development toolset provider, Series AI raised \$7.9M in a seed round led by Andreessen Horowitz			

Polygon			
4 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
38.2	30.0	Early	Mobile, Tech/Other, Console/PC
  Blockchain metaverse infrastructure provider Cosmic Wire raised \$30.0M in an early-stage round co-led by Polygon   Delabs Games, a blockchain games developer, raised \$4.7M in a seed round   Blockchain games developer GAM3S.GG raised \$2.0M in a seed round			

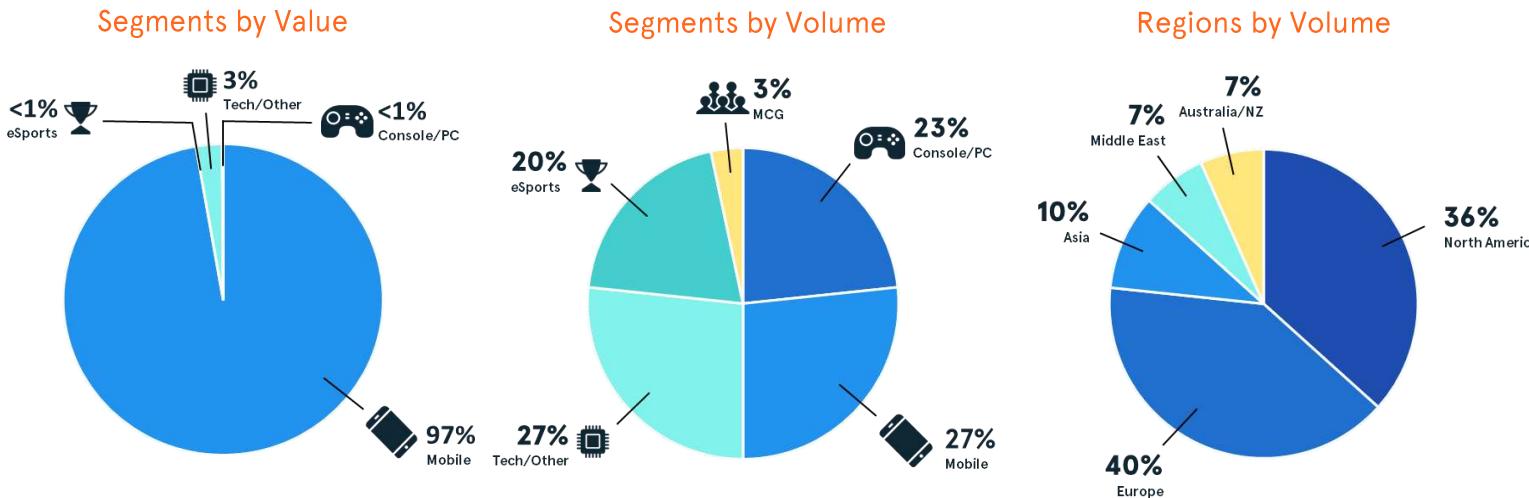
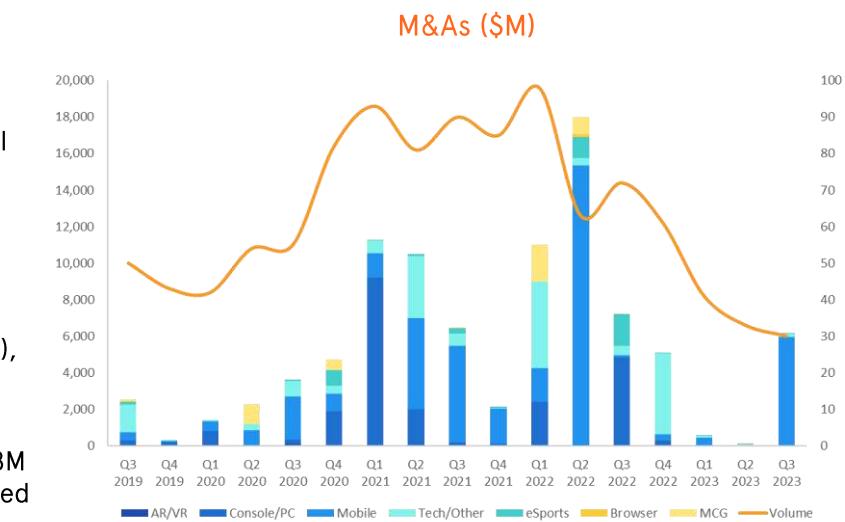
BITKRAFT Ventures			
4 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
26.2	7.9	Early	Tech/Other, Console/PC
   AI-driven games development toolset provider Series AI raised \$7.9M in a seed round  Luda, an AI-driven user-generated content game infrastructure provider, raised \$7.0M in a funding round led by BITKRAFT Ventures  Al-assisted UGC games developer and platform provider Infinite Canvas raised \$6.0M in an early-stage round led by BITKRAFT Ventures			

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 along with select investments. 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.

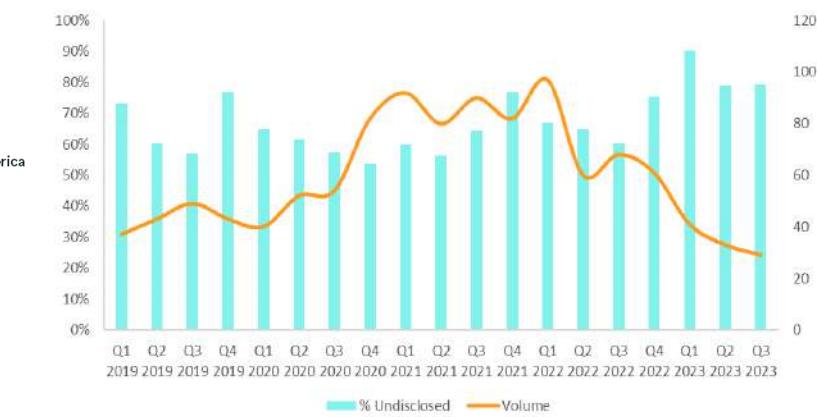


Q3's \$6.1B in M&As Driven by a Few High Transactions and Low Disclosed Deals

- Q3 2023 M&As totaled \$6.1B across 30 transactions (+5569% in value and a -9% decrease in volume compared to Q2's \$108.4M across 33 transactions); this 56x increase in value was inflated by The Public Investment Fund of Saudi Arabia's \$4.9B acquisition of Scopely and Sega's \$770.4M acquisition of Rovio (92% of the quarters value) allowing Q3 to not only bounce back after a year long decrease in values for M&As, but will also push Q3 2023 to the fourth the best Q3 among all Q3's across 14+ years of data
- Noted in prior reports, DDM has seen an uptick in undisclosed M&As values hindering the M&As quarter total value; this quarter continues this trend as 79% of the quarters M&As were not disclosed, higher than the average of 66%
- Highest segment by value was led by Mobile (97%), followed by Tech/Other (3%), eSports (<1%), and Console/PC (<1%)
- Highest segment by volume was led by Mobile (27%), followed by Tech/Other (27%), Console/PC (23%), and eSports (20%), and MCG* (3%)
- Similar to investments, North American and European M&As continue to be dominant in value and in volume as North American M&As totaled \$4.9B across 11 transactions (80% of value and 37% of volume) and European M&As totaled \$942.8M across 12 transactions (15% of value and 40% of volume); Asia and the Middle East switched as the Middle East M&As totaled \$300.0M across 2 transactions (5% of the value and 7% of the volume) compared to Asian M&As totaling \$<1M (<1% of the value and 10% of the 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 Q3 2023*

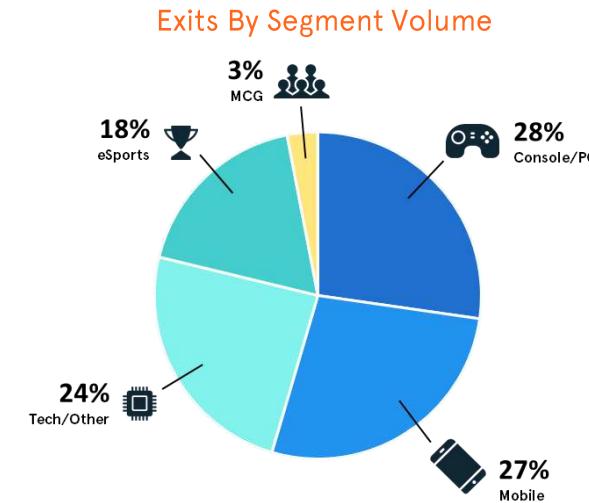
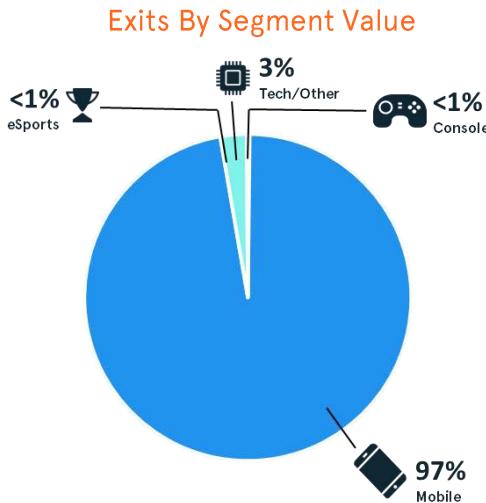
Category	Date	Company	Acquirer	Value (\$M)	Company description	Country
Mobile	12 Jul 23	Scopely	Public Investment Fund of Saudi Arabia	4,900.0	Mobile games developer/publisher	USA
Mobile	18 Aug 23	Rovio	Sega	775.4	Mobile games developer	Finland
Mobile	29 Sep 23	InnPlay Labs	Playtika	300.0	Mobile games developer	Israel
Tech/Other	28 Aug 23	Azerion (assets)	Playtika	161.9	Monetization/publishing/advertising/games developer	The Netherlands
eSports	01 Aug 23	Heroic Group	Krow Bidco	5.5	eSports organization	Norway
Console/PC	26 Jul 23	Swordcanes Studio	Capcom	0.1	2D/3D animation service provider	Japan

*From disclosed deals with values



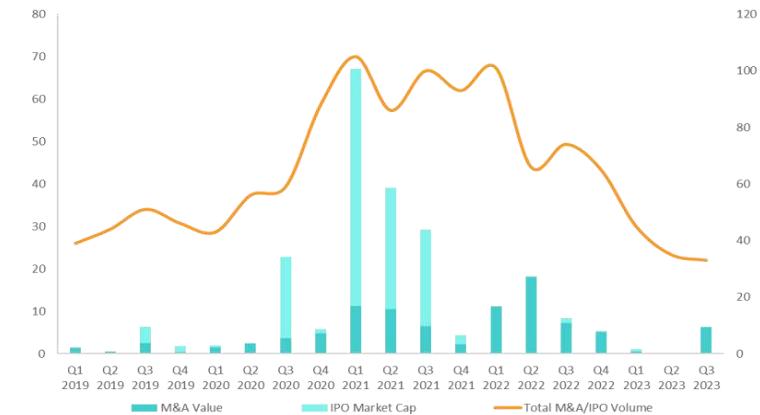
Q3's \$6.2B in Exits (M&A + IPO) Performs 47X Compared to Q2's \$130.5M

- Q3 2023 IPOs totaled \$31.4M in combined market capitalizations across 3 IPOs (+48% in value and a +50% increase compared to Q2's \$22.4M in combined market capitalizations across 2 IPOs)
- India-based Blockchain AI mobile games developer and service provider Yudiz Solutions held Q3's largest IPO raising \$5.4M with a market capitalization of \$20.5M on India's National Stock Exchange
- Two Polish-based Console/PC games developers debuted on the NewConnect Exchange in Q3 which included Plotwist with a \$7.2M valuation and Freemind with a \$3.8M valuation
- Among third quarters across all 14+ years worth of data, Q3 2023 IPOs achieved the fourth best Q3 for volume, only being edged by 2021's Q3 totaling \$22.8B in combined market capitalization across 10 IPOs, 2020's Q3 totaling 19.1B in combined market capitalization across 4 IPOs, and 2013's Q3 totaling \$627.0M in combined market capitalization across 4 IPOs
- Q3's Exits (M&A + IPOs) reached \$6.2B over 33 transactions (+4620% increase in value and a -6% in volume compared to Q2's exits of \$130.8M over 35 transactions; this 47x in value was heavily inflated due to The Public Investment Fund of Saudi Arabia's \$4.9B acquisition of Scopely and Sega's \$775.4M acquisition of Rovio)
- Highest Exits (M&A + IPOs) by value was led by Mobile (97%), followed by Tech/Other (3%), eSports (<1%), and MCG* (<1%); highest Exits (M&A + IPOs) by volume was led by Console/PC (28%), followed by Mobile (27%), Tech/Other (24%), eSports (18%), and MCG* (3%)

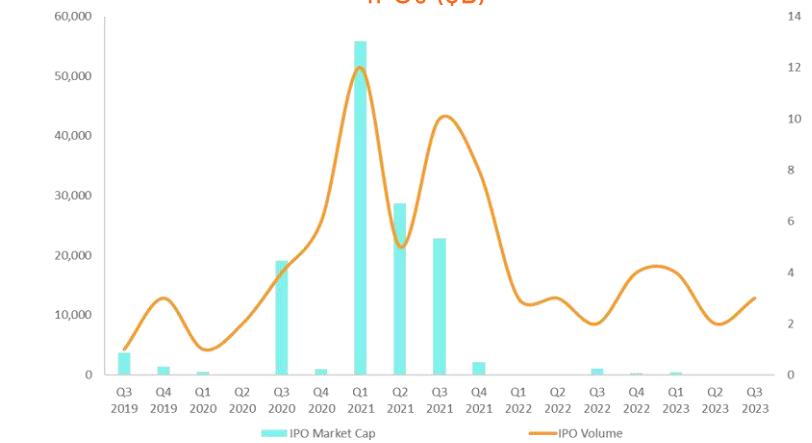


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Exits (M&A + IPO) (\$B)



IPOs (\$B)





IPOs by Value Q3 2023

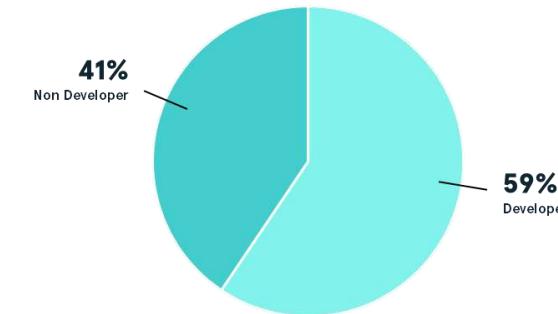
Category	Date	Company	Value (\$M)	Valuation (\$M)	Company description	Country
Console/PC	26 Sep 23	Plot Twist		7.2	Console/PC/mobile games developer	Poland
Console/PC	18 Sep 23	Freemind		3.8	Console/PC games developer	Poland
Mobile	17 Aug 23	Yudiz Solutions	5.4	20.5	Blockchain AI mobile games developer and service provider	India



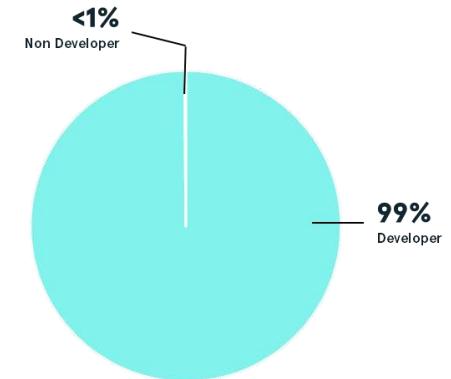
Developer M&As Grew 136X in Q3 Due to Acquisitions by Sega and Saudi Arabia's PIF

- Q3 2023 game developer investments totaled \$573.8M across 93 investments (59% of the value and 69% of the volume) compared to non developers totaling \$391.6M across 43 investments (41% of the value and 32% of the volume)
- Median investment values for developers bounced back to \$2.1M (+171% in value compared to Q2's a median of \$775.6K), which is still sharply down from Q1's \$4.5M median (-53% in value)
- Q3 2023 game developer M&As totaled \$6.1B across 14 transactions (99% of the value and 47% of the volume), 136x compared to Q2's \$44.9M across 15 transactions, led by Saudi Arabia's Public Investment Fund's \$4.9B acquisition of Scopely and Sega's \$775.4M acquisition of Rovio
- Highest investment segment by value was led by Console/PC (43%), Mobile (41%), MCG* (11%), AR/VR (2%), eSports (2%), Tech/Other (1%), and Browser (<1%)
- Similar to Q2 where developers with fewer than 10 persons took more investments, Q3 2023's median size studio that received an investment was 8 employees with the highest volume of investments (57%); identical to Q2, Q3 2023 M&As continue to focus on larger studios with studios employing 21-100 persons taking three-quarters of Q2 M&A deals (75%)

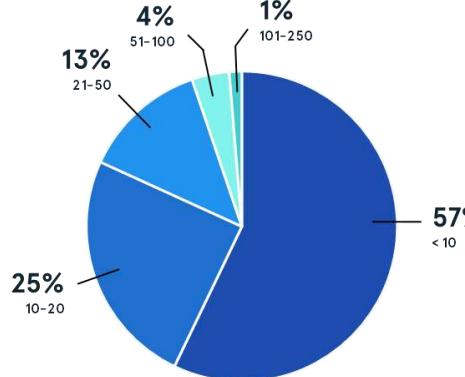
Investment Offering by Value



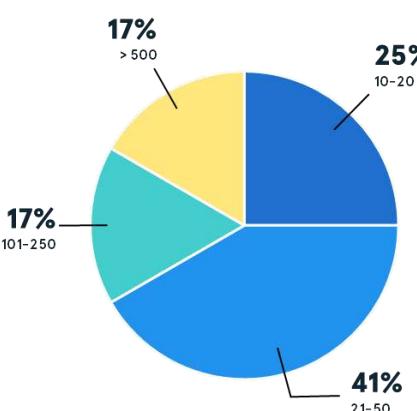
M&A Offering by Value



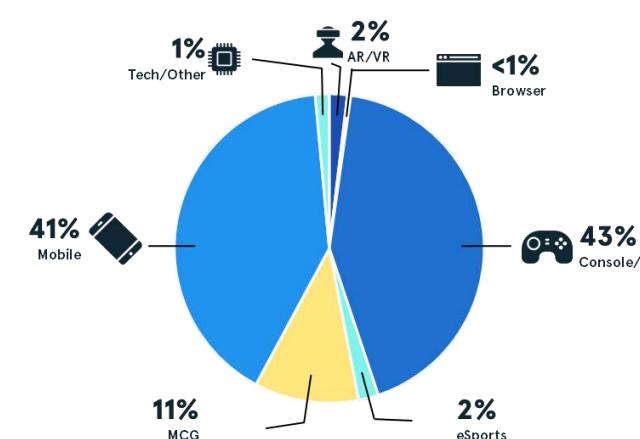
Investment Volume by Studio Size



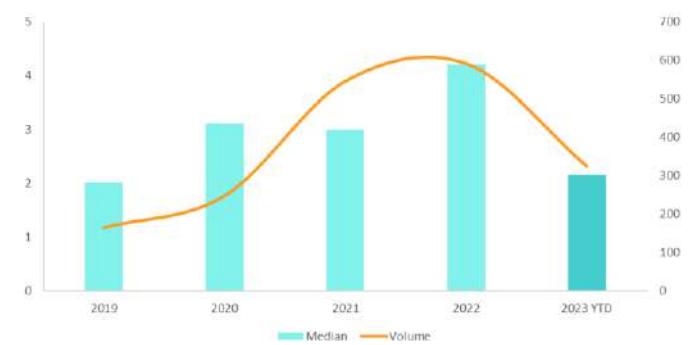
M&A Volume by Studio Size



Investment Value by Segment



Median Investment by Year



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Top 10 Developer Investments by Value Q3 2023*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
Console/PC	05 Jul 23	Embracer Group	184.6	Other (Post IPO)	Console/PC games developer/publisher	Sweden
Mobile	14 Aug 23	Candivore	100.0	Mid/Late	Mobile games developer	Israel
Mobile	20 Sep 23	Proof of Play	33.0	Early	Blockchain games developer and infrastructure provider	USA
MCG	11 Jul 23	Gardens	31.3	Early	Multiplayer PC games developer	USA
Console/PC	21 Sep 23	Mountaintop Studios	20.5	Early	PC games developer	USA
Mobile	11 Sep 23	Animoca Brands	20.0	Mid/Late	Blockchain and mobile games developer/publisher	China
Console/PC	11 Sep 23	Pahdo Labs	15.0	Early	AI-driven games developer and user-generated content platform provider	USA
Mobile	12 Jul 23	Xterio	15.0	Early	Mobile/PC blockchain games developer and publisher	Switzerland
Mobile	15 Aug 23	ZTX	13.0	Early	Metaverse game developer and platform provider	South Korea
eSports	03 Aug 23	Mahjong Meta	12.0	Early	AI-based Mahjong blockchain gaming developer and platform provider	China

*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 Q3 2023*

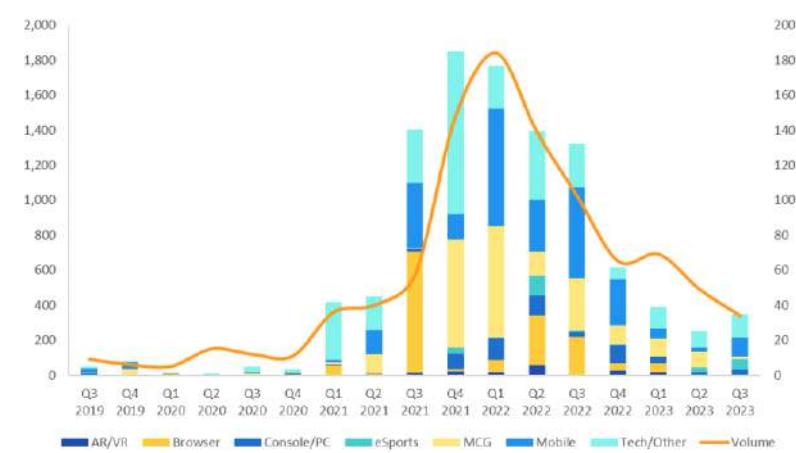
Category	Date	Company	Acquirer	Value (\$M)	Company description	Country
Mobile	12 Jul 23	Scopely	Public Investment Fund of Saudi Arabia	4,900.0	Mobile games developer/publisher	USA
Mobile	18 Aug 23	Rovio	Sega	775.4	Mobile games developer	Finland
Mobile	29 Sep 23	InnPlay Labs	Playtika	300.0	Mobile games developer	Israel
Tech/Other	28 Aug 23	Azerion (assets)	Playtika	161.9	Monetization/publishing/advertising/games developer	The Netherlands

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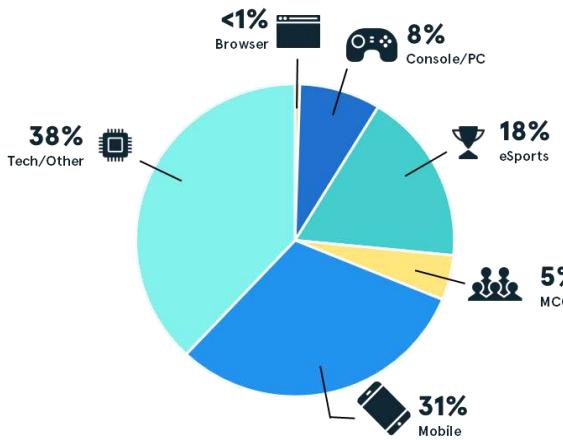


Q3 Blockchain's \$348.2M a Relief During Continued Crypto Winter

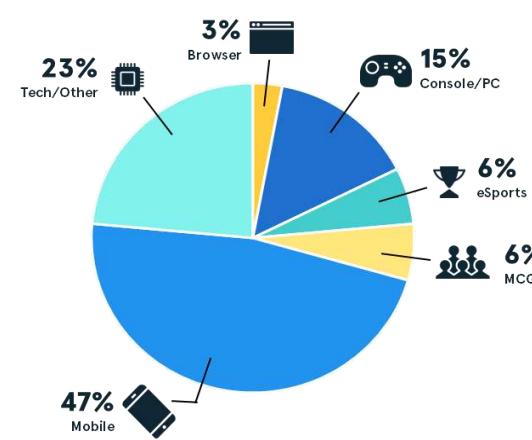
- While the crypto winter is still ongoing, blockchain game investments increased as the SEC has softened their approach on blockchain lawsuits causing investments to reach \$348.2M across 34 investments (+39% in value and -31% in volume compared to Q1's \$249.9M across 49 investments)
- Highest segment by value was led by Tech/Other (38%), followed by Mobile (31%), eSports (18%), Console/PC (8%), MCG* (5%), and Browser (<1%)
- Highest segment by volume was led by Mobile (47%), followed by Tech/Other (23%), Console/PC (15%), eSports (6%), MCG* (6%), and Browser (3%)
- Blockchain early-stage rounds totaled \$272.8M across 31 investments (78% of the value and 91% of the volume), while mid/late-stage rounds totaled \$70.0M across 2 investments (20% of the value and 6% of the volume)
- Seed rounds led the quarter by value and volume totaling \$186.5M across 20 investments (54% of the value and 59% volume); Pre-Seed and Series A rounds tied for second most active rounds for the quarter at 4 a piece, Series A finished second for value totaling \$77.2M compared to Pre-Seeds \$7.4M
- Asian blockchain companies dominated the quarter in for investments in terms of value and volume totaling \$130.2M across 14 investments (37% of the and 42% of the volume) which nearly doubled the next nearest region, European blockchain companies totaling \$82.1M across 7 investments (23% of the value and 21% of the volume)



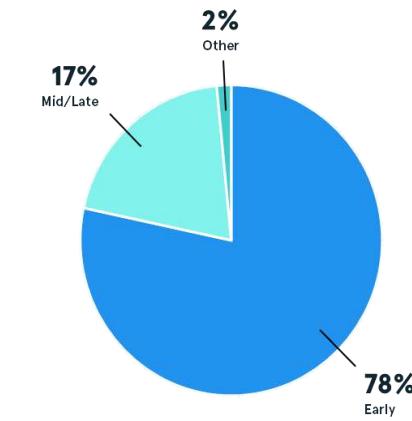
Segment By Value



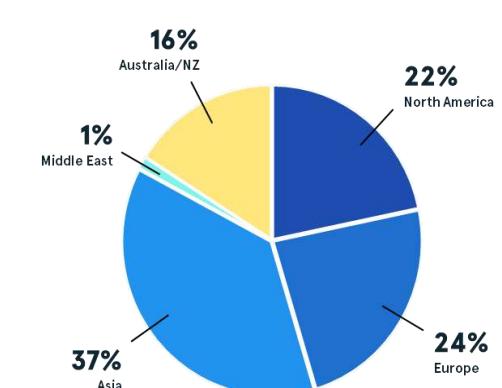
Segment By Volume



Stage By Value



Region By Value



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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 Q3 2023*

Category	Date	Company	Value (\$M)	Stage	Company description	Country
Tech/Other	18 Jul 23	Futureverse	54.0	Early	AI-driven blockchain metaverse infrastructure provider	New Zealand
eSports	06 Jul 23	Veloce Esports	50.0	Mid/Late	Content creation service provider and esports organization	UK
Mobile	20 Sep 23	Proof of Play	33.0	Early	Blockchain games developer and infrastructure provider	USA
Tech/Other	19 Jul 23	Cosmic Wire	30.0	Early	Blockchain metaverse infrastructure provider	USA
Tech/Other	28 Jul 23	hi	30.0	Early	Blockchain financial exchange and games platform provider	China
Mobile	11 Sep 23	Animoca Brands	20.0	Mid/Late	Blockchain and mobile games developer/publisher	China
Mobile	12 Jul 23	Xterio	15.0	Early	Mobile/PC blockchain games developer and publisher	Switzerland
Mobile	15 Aug 23	ZTX	13.0	Early	Metaverse game developer and platform provider	South Korea
eSports	03 Aug 23	Mahjong Meta	12.0	Early	AI-based Mahjong blockchain gaming developer and platform provider	China
Console/PC	16 Jul 23	SKYPlay	10.0	Early	Blockchain games publisher and platform provider	South Korea

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Top Active Blockchain Investors (#1-5)

WeMade			
5 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
6.4		Early	Mobile
 Wemade's subsidiary, Wemix has invested in 5 blockchain mobile game studios, including SimSports and 4 undisclosed developers			

Polygon			
4 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
38.2	30.0	Early	Mobile, Tech/Other, Console/PC
 Blockchain metaverse infrastructure provider Cosmic Wire raised \$30.0M in a seed round co-led by Polygon  Delabs Games , a blockchain games developer, raised \$4.7M in a seed round  Blockchain games developer GAM3S.GG raised \$2.0M in a seed round			

Animoca Brands			
3 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
47.0	30.0	Early	Tech/Other, MCG
 Blockchain financial exchange and games platform provider hi raised \$30M in an early funding stage round  Blockchain cloud gaming infrastructure provider Aethir completed a Pre-A funding round for \$9M  Blockchain MMO games developer GamePhilos raised \$8M in a seed round			

HashKey Group			
2 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
17.0	9	Early	Tech/Other, MCG
 Blockchain cloud gaming infrastructure provider Aethir completed a Pre-A funding round for \$9M co-led by HashKey Group and Sanctor Capital  Blockchain MMO games developer GamePhilos raised \$8M in a seed round			

Sanctor Capital			
2 Investments			
Q3 Round Total (\$M, USD)	Q3 Top Round Value (\$M, USD)	Stages	Top Segments
17.0	9.0	Early	Tech/Other, MCG
 Blockchain cloud gaming infrastructure provider Aethir completed a Pre-A funding round for \$9M co-led by HashKey Group and Sanctor Capital  Blockchain MMO games developer GamePhilos raised \$8M in a seed round			

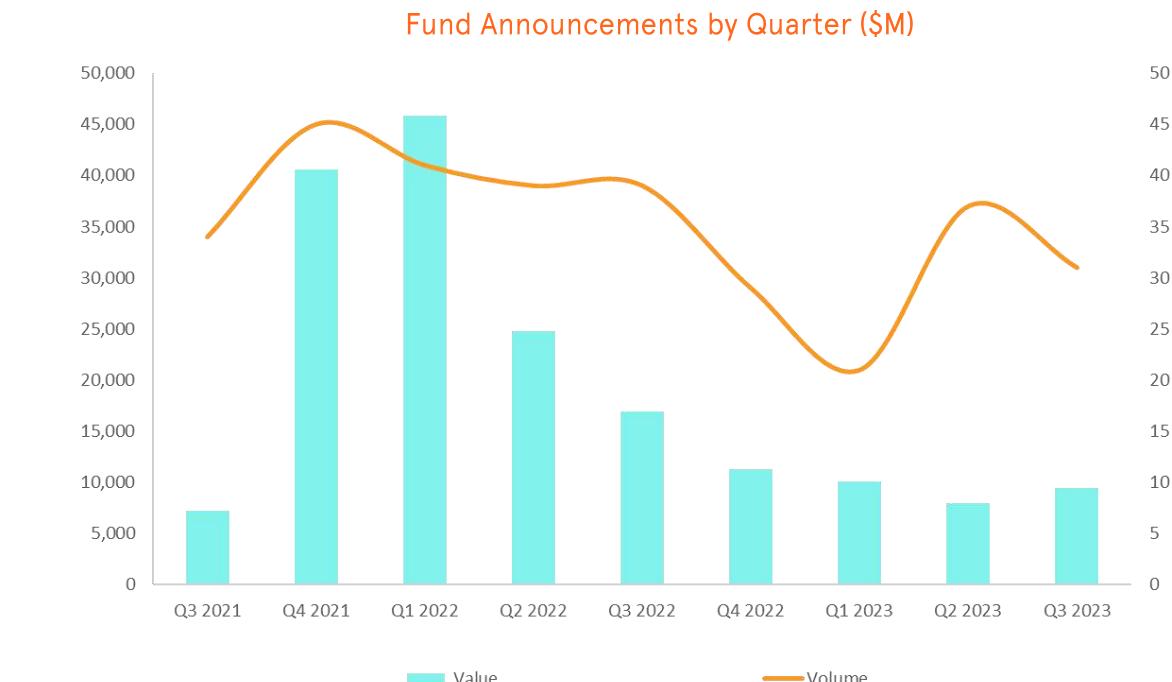
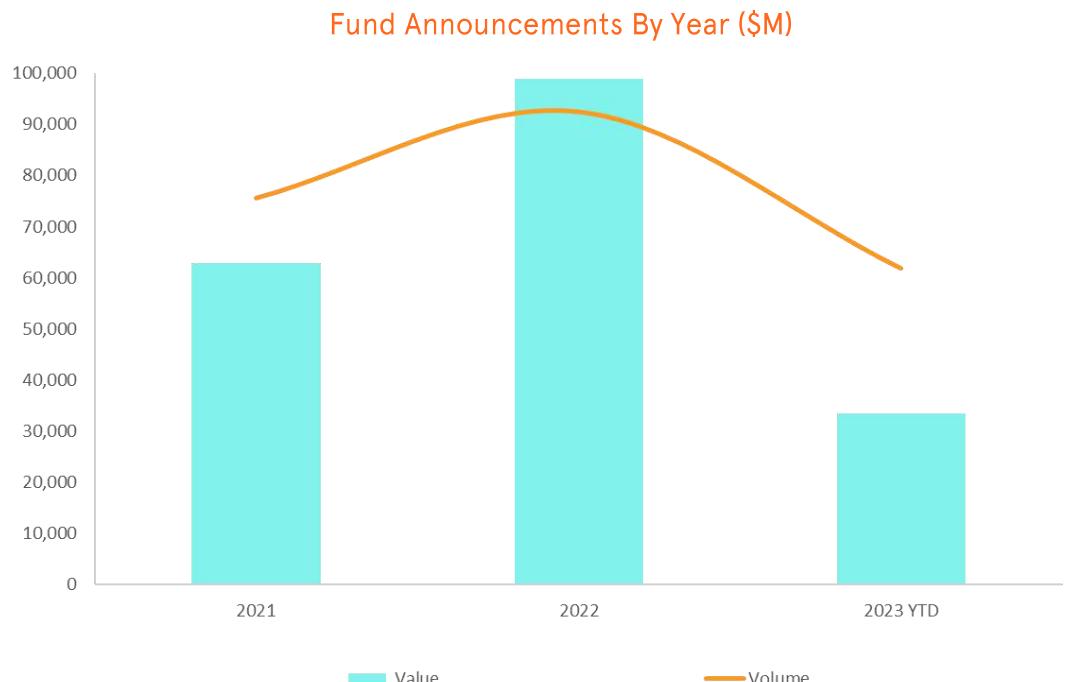
We list the most active firms by deal volume as well as the total value of the disclosed investments in which they participated and top value for single deal along with select investments. Further, our investment tracking focuses on deals that involve Western companies. As always, since announcements 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.



Q3's \$9.4B in New Funding Receives Bump After Full-Year Value Decline

- ▶ YTD 2023 new fund announcements totaled \$27.5B across 89 (-69% in value and -25% in volume compared to 2022 Q1-Q3 totaling \$87.5B across 119 new fund announcements)
- ▶ While comparing year-over-year, Q3's \$9.4B raised across 31 funds is a sharp decline compared to Q3 2022's \$16.8B across 39 new fund announcements (-44% decline in value and -21% of the volume)
- ▶ Last quarter, DDM noted blockchain is still receiving interest from investors; however, it comes with a caveat of fund managers reducing their check size per investment to hedge their risk; as such, funds with a blockchain focus raised \$1.8B across 12 funds (-1% in value and +20% in volume compared to Q2's \$1.8B across 10 funds)

- ▶ After over a full year of value decline QoQ, new fund announcements Q3 reached over \$9.4B in new capital raised across 31 funds (+19% in value and -16% in volume compared to Q2's \$7.9B across 37 new funds) propped up from 3 funds raising \$1B+ including True Light Capitals \$3.3B True Light Fund I
- ▶ Q3's increase is still a drastic decline from Q4 of 2021's top of \$45.8B across 41 funds (-79% in value and 24% in value) which further demonstrated market conditions have made it very difficult for fund managers to raise money





Top 5 New Funding Sources Announced Q3 2023*

Announced Date	Firm	Fund/Program	Gaming Target or Focus	Fund Size (\$M)	Funding Stages
21 Sep 23	True Light Capital, Temasek	True Light Fund I	Digital transformation, energy, biotech; previous mobile, MMO developer and blockchain/gaming tech investments by parent company Temasek	3,300.0	Early, Mid/Late
26 Jul 23	Goodwater Capital	Two funds: Goodwater Capital V, Goodwater Infinity III; previous gaming tech investment	\$600M for Early-stage Fund V and \$400M for Opportunity Fund II for consumer tech, financial services, healthcare, and entertainment; previous gaming tech investment	1,000.0	Early, Mid/Late
11 Jul 23	Vertex Ventures	The Vertex Master Fund III (in progress)	New Digital Economy, Deep Tech, Healthcare, Consumer, Fintech, Healthtech / Agritech; previous mobile and blockchain infrastructure investments	1,000.0	Early
25 Sep 23	Dawn Capital	Two funds: Dawn V, Dawn Opportunities III	\$620M for Dawn V and \$80M for Dawn Opportunities III for B2B software; previous esports investments	700.0	Mid/Late
18 Sep 23	Blockchain Capital	Two funds: Early-Stage Fund VI, Opportunity Fund I	Approximately 2/3s for Early-Stage Fund VI and 1/3 for Opportunity Fund I for gaming, consumer, decentralized finance and infrastructure; previous blockchain console/PC, eSports, and gaming tech investments	580.0	Early, Mid/Late

TOTAL RAISED FROM ALL Q3 ANNOUNCEMENTS (INCLUDING TOP 5)

9,426.81



Industry Recap Q3 2023

New studios include [Creature](#), [Denkiworks](#), [ExoDexa](#), [Look North World](#), [Midwest Games](#), [Prestiged](#), and [Scallywag Arcade](#)

Developer expansions include [Arctic7](#), [Behaviour Interactive](#), [CyberConnect2](#), [Electronic Arts](#), [IO Interactive](#), [Meta](#), [NetEase](#), [People Can Fly](#), [Prytania Media](#), [Super Evil Megacorp](#), and [Unity](#)

Service provider expansions include [Amber](#), [Rocket Science](#), and [Virtuos](#)

Esports expansions include [Ferris State University](#), [ibMedia](#), [OverActive Media](#), [Passion UA](#), [Redbull](#), and [Valhallan](#)

Nongaming companies expanding into gaming include [Tokyo Broadcasting System Television](#)

Companies that rebranded include [Blind Squirrel Games](#), [Oxygen Esports](#), [Savvy Games Studios](#) to [Steer Studios](#), [London Royal Ravens](#) to [Carolina Royal Ravens](#), and [Polkastarter Gaming](#) to [Gam3s.gg](#)

Events, companies and content creators for charitable causes include [Call of Duty Endowment](#), [GamesAid](#), [Ghost Gaming](#), [Summer Games Done Quick](#), [Sybo](#), and [The Pokémon Company](#)

Companies facing or faced legal and regulatory battles include [Apple](#), [Bayes Esports](#), [Bungie](#), [Electronic Arts](#), [Epic Games](#), [Motorsport Games](#), [NetEase](#), [Niantic](#), [Roblox](#), and [The Tetris Company](#)

Companies and games facing hacks, fraud or exploits included [Call of Duty Modern Warfare 2](#), [Far Cry](#), [Grand Theft Auto IV](#), [Razer](#), [Roblox](#), and [Tradier](#)

Companies under fire for lack of diversity and mismanagement include [Roblox](#) and [Ubisoft](#)

Companies, schools, and universities advancing eSports and gaming education include [Ghost Gaming](#), [Kabam](#), [Lionscreed](#), [Minerva's Virtual Academy](#), [Playfly Esports](#), and [Riot Games](#)

Companies with key employees being hired or leaving include [Evil Geniuses](#), [Faze Holdings](#), [FunPlus](#), [GameStop](#), [Gaming Innovation Group](#), [Microsoft](#), [Nintendo](#), [Phoenix Labs](#), [Roblox](#), [Striking Distance](#), [Team17](#), and [Treyarch](#)

Companies who received recognition and awards include [Boogiz](#), [Black Salt Games](#), [Northern Forge Studios](#), [Roll7](#), [Splinterlands](#), and [The Lego Group](#)

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



Industry Recap Q3 2023

Game sales include 13 Sentinels: Aegis Rim [1M](#), Battlebit Remastered [2M](#), Bloodstained: Ritual of the Night [2M](#), Final Fantasy Pixel Remaster [3M](#), Final Fantasy Remake and Remake Intergrade [7M](#), Granblue Fantasy: Versus [1M](#), Final Monster Hunter Rise [13M](#), Remnant 2 [1M](#), Resident Evil 2 Remake [12M](#), Resident Evil 4 Remastered [5M](#), Sea of Stars [100K](#), Spyro Reignited Trilogy [10M](#), and Street Fighter 6 [2M](#)

Games sales revenues include Call of Duty: Mobile [\\$3B](#), Forge of Empires [€1B](#), and War Feign [\\$1M](#)

Game pre-orders and registrations include Indus [5M](#), Monster Hunter Now [3M](#), and Tom Clancy's Rainbow Six Mobile [17M](#)

Registered players milestones include Arena Breakout [80M](#), Battle Stars [5M](#), Dave the Diver [1M](#), Exoprimal [1M](#), Ghostwire: Tokyo [6M](#), Guilty Gear Strive [3M](#), Hi-Fi Rush [3M](#), and Midnight Ghost Hunt [1M](#), and Starfield [10M](#)

Game install/download milestones include Final Fantasy 7 Ever Crisis [2M](#), King of Avalon [100M](#), Left to Survive [64M](#), Nekki [1B](#), Bleach: Brave Souls [80M](#), Plane Evolution [4M](#), Pokémon Sleep [10M](#), Rider Worlds [1M](#), Roblox (Meta Quest) [1M](#), Tacticool [30M](#), Twisted Tangle [10M](#), and Warpath [30M](#)

Game and company anniversaries include Call of Duty [20th](#), Control [4th](#), CSR Racing 2 [7th](#), Europa Universalis IV [10th](#), Genshin Impact [3rd](#), Ghost of Tsushima [3rd](#), Left to Survive [5th](#), Mafia II [13th](#), Man of Medan [4th](#), Metal Gear Solid V [8th](#), My Talking Tom [10th](#), Pokémon Go [7th](#), Saints Row [17th](#), The Room [10th](#), and Wargaming [25th](#)

Game and peripheral cancellations include [BallisticNG](#), [Blackbird Interactive projects](#), [Evil Dead: The Game](#), [Floodrush](#), [Hyenas](#), [Immortals Fenyx Rising sequel](#), [Just Cause: Mobile](#), [Rogue Company: Elite](#), [Quantum Error](#), and [Xbox Kinect Azure](#)

Game delays include [Alone in the Dark](#), [Lollipop Chainsaw RePOP](#), [Phasmophobia](#), [Replaced](#), [RoboCop: Rogue City](#), [Stray Gods](#), [Suikoden I & II HD Remaster](#): [Gate Rune](#), [Xdefiant](#), and several from [Devolver Digital](#)

Game and storefront server shutdowns include [BTS World](#), [Digits](#), [Gundam Evolution](#), [Luck Be a Landlord](#), [Only Up!](#), [SinoAlice Global](#), [Space Punks](#), [The Last Hope: Dead Zone Survival](#), [Call of Duty Warzone](#), [Uma Musume Pretty Derby](#), [Xbox 360 Store](#), and several from [Electronic Arts](#)

Games that received awards include [Little Nightmares 3](#), [Season: A letter to the future](#), and [Sky: Children of Light](#)

[Video Game History Foundation](#) conducted a study and found 87% of classic video games are 'critically endangered' as they're difficult to find in digital or physical form

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



Highlights

Gaming Revenues Being Challenged

Within the last two years, the gaming industry has faced a continuous wave of obstacles and challenges including economic recession fears, hiked interest rates from the Federal Reserve, collapses of several banks and venture capital funds, and blockchain regulations. While this is merely a small sample size of public gaming companies, it shows how the industry is being affected by the slower economic growth.

- ▶ [Activision Blizzard Q2 +34% YoY](#)
- ▶ [FaZe Holdings Q2 -38% YoY](#)
- ▶ [NetEase Q2 +4% YoY](#)
- ▶ [Rovio Entertainment H1 -9% YoY](#)
- ▶ [AppLovin Q1 -3% YoY](#)
- ▶ [GameStop Q2 +2% YoY](#)
- ▶ [NetDragon H1 -13% YoY](#)
- ▶ [Sea Group Q2 +5% YoY](#)
- ▶ [Azerion Q2 +17% YoY](#)
- ▶ [GameSquare Q2 +114% YoY](#)
- ▶ [Netmarble Q2 -9% YoY](#)
- ▶ [Sega Q1 +64% YoY](#)
- ▶ [Bandai Namco Q1 +4% YoY](#)
- ▶ [Huuuge H1 -14% YoY](#)
- ▶ [Nexon Q2 +12% YoY](#)
- ▶ [Sony Q1 +33% YoY](#)
- ▶ [Capcom Q1 +74% YoY](#)
- ▶ [Konami Q1 +1% YoY](#)
- ▶ [Nintendo Q1 +50% YoY](#)
- ▶ [Stillfront Group Q2 +0% YoY](#)
- ▶ [CD Projekt Group H1 -14% YoY](#)
- ▶ [Krafton Q2 -9% YoY](#)
- ▶ [Overactive Media Q2 +65% YoY](#)
- ▶ [Take-Two Interactive Q1 +17% YoY](#)
- ▶ [CyberAgent Q3 -0.2% YoY](#)
- ▶ [Meta Q2 +11% YoY](#)
- ▶ [Playtika Q2 -2% YoY](#)
- ▶ [Tencent Q2 +11% YoY](#)
- ▶ [Electronic Arts Q1 +9% YoY](#)
- ▶ [Microsoft FY +7% YoY](#)
- ▶ [Rivalry Q2 +60% YoY](#)
- ▶ [Ubisoft Q1 -9% YoY](#)
- ▶ [Embracer Group Q1 +47% YoY](#)
- ▶ [NCSoft Q2 -30% YoY](#)
- ▶ [Roblox Q2 +15% YoY](#)
- ▶ [Unity Q2 +80% YoY](#)

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Highlights

Shaky Revenue Brings Layoffs, Closures, and Restructuring Programs

While the layoffs, closures, and or restructuring programs were not nearly as prevalent as last quarter, many gaming studios are still offloading expenses or have closed their doors due to continuous economic challenges:

- ▶ [Ascendant Studios](#)
- ▶ [Blackbird Interactive](#)
- ▶ [East Side Games](#)
- ▶ [Esports Engine](#)
- ▶ [Mimimi Games](#)
- ▶ [Sega](#)
- ▶ [Activision Blizzard](#)
- ▶ [Black Eye Games](#)
- ▶ [eFuse](#)
- ▶ [GamesBeat](#)
- ▶ [Naughty Dog](#)
- ▶ [Striking Distance Studios](#)
- ▶ [Automata](#)
- ▶ [CD Projekt Red](#)
- ▶ [Embracer Group](#)
- ▶ [Gearbox Publishing](#)
- ▶ [Puny Human](#)
- ▶ [Team17](#)
- ▶ [Belong Gaming Arena](#)
- ▶ [Dapper Labs](#)
- ▶ [Epic Games](#)
- ▶ [Hurrah.agency](#)
- ▶ [Roblox](#)
- ▶ [Volition](#)
- ▶ [BioWare](#)
- ▶ [Discord](#)
- ▶ [EPOS Gaming](#)
- ▶ [Imagendary Studios](#)
- ▶ [Ronimo Games](#)
- ▶ [Ubisoft](#)

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



Highlights

In Q3, Microsoft's Acquisition of Activision Blizzard Was on a Rollercoaster Before Regulatory Approval in Q4

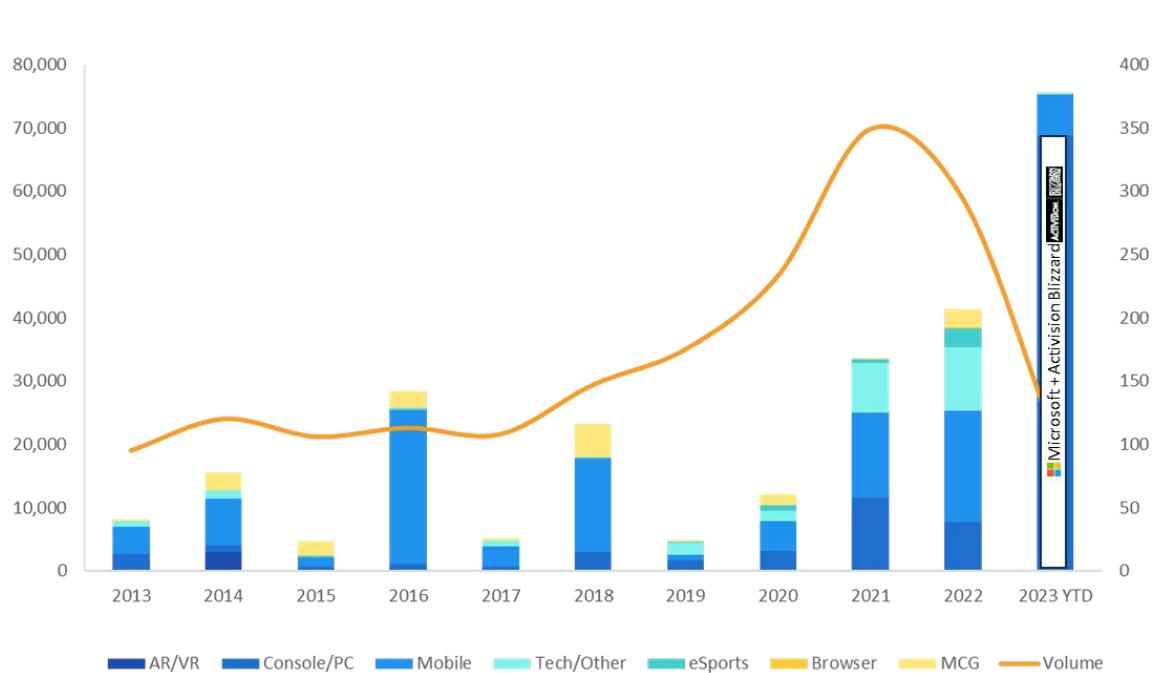
- ▶ The UK's Competition Markets Authority (CMA) signaled [provisional approval](#) to a newly restructured deal after the UK CMA officially [blocked](#) the original deal
- ▶ The [UK CMA](#) and [EU antitrust regulators](#) surveyed developers to ensure the original and newly restructured Microsoft deal does not have any material changes on their businesses
- ▶ The [New Zealand Commerce Commission](#) greenlit clearance for Microsoft to acquire Activision Blizzard
- ▶ While the [Communications Workers of America](#) president expressed appreciation of the regulators' due diligence and the terms of the deal stating it "secures worker's rights and consumer interests" the [UK Business Minister](#) stated the deal is "bad for Britain"
- ▶ A collection of [indie developers](#) supported the Microsoft Activision acquisition deal
- ▶ The [UK CMA gave its approval](#) after Microsoft sold [cloud gaming rights](#) to Activision's games outside of the European Economic Area (EEA) to Ubisoft for 15 years
- ▶ During the Microsoft Vs. FTC court case, a massive [document leak](#) revealed [Microsoft's](#) strategy and future developments:
 - ▶ Microsoft had potential plans to acquire [Nintendo](#)
 - ▶ A next-gen "[cloud-hybrid](#)" Xbox console to release in 2028
 - ▶ A 2TB "all-digital" cylindrical console refresh code-named [Brooklin](#) and new controller with modular thumbsticks code-named Sebile coming in 2024
 - ▶ [Elder Scrolls 6](#) will be an Xbox exclusive and Microsoft is developing [remasters](#) of Fallout 3 and The Elder Scrolls IV: Oblivion
 - ▶ On Xbox latest gen consoles, 75% of [consumers](#) own the Series S, while the Series X only has 25% share
- ▶ Xbox's Phil Spencer [commented](#) on the leaks discussing he's disappointed in their teams' hard work being revealed in such a way

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Highlights

After Closing in Q4, Microsoft + Activision Blizzard Makes 2023 Largest Year on Record for Video Game M&As



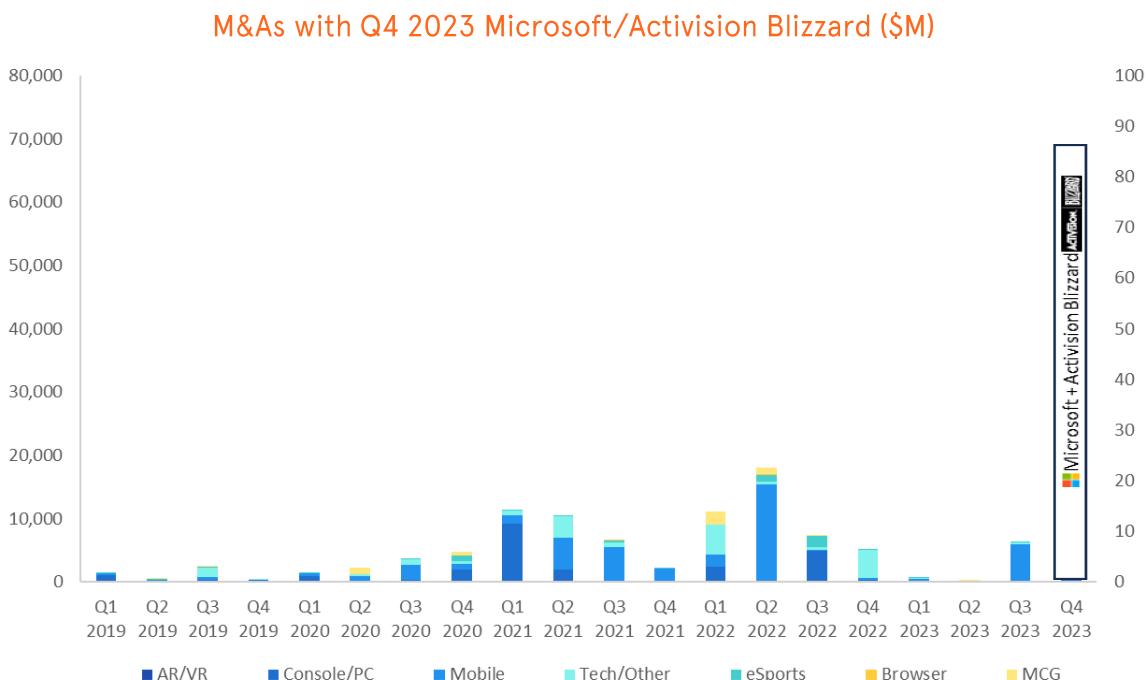
- ▶ As the single largest transaction in the video games industry, Microsoft's \$68.7 billion acquisition of Activision Blizzard means 2023 is greater than the last two years of M&As combined!
- ▶ Largest previous acquisitions include Take-Two Interactive's acquisition of Zynga for \$12.7 billion in 2022 and Tencent's acquisition of Supercell for \$8.6 billion in 2016
- ▶ Initially announced [January 18, 2022](#), Microsoft closed its acquisition of Activision Blizzard on [October 13, 2023](#)
- ▶ Controversial Activision Blizzard CEO Bobby Kotick announced that he will [depart](#) his role in 2024
- ▶ In addition to gaining a [foothold](#) in the mobile market with Activision Blizzard's subsidiary King, Microsoft now owns some of gaming's biggest [franchises](#), including Call of Duty, Overwatch, World of Warcraft, Candy Crush, Diablo, Hearthstone, Guitar Hero
- ▶ Xbox boss Phil Spencer announced an end to [Call of Duty exclusivity deals](#) with a guarantee the franchise will continue to be released on PlayStation and Nintendo consoles for ten years

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Highlights

Microsoft + Activision Blizzard is Greater Than the Sum of Previous Ten M&A Quarters Which Totaled \$67.3 Billion



- ▶ While this transaction will make 2023 a historic year, as most company valuations remain dampened and revenues lower, this does not mean that 2023 is a true “reversal” of declines seen from previous quarters
- ▶ By combining two of gaming’s largest companies, Microsoft has opportunity to wield a strong impact on the whole industry
- ▶ More immediate impacts will affect Microsoft’s mobile gaming business and Xbox Game Pass with minimal impact expected on its cloud gaming business (thus, an easier concession to give Ubisoft Activision Blizzard’s cloud gaming rights)
- ▶ With regulatory risk at ease, we expect M&As to rise again, as some M&As may have been delayed by prioritizing regulatory approval
- ▶ Furthermore, Microsoft’s acquisition of Activision Blizzard proved no company is too large, leaving speculation on EA, Take-Two, and Ubisoft who have all long been rumored as potential targets

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Highlights

SEC Regulations Continue to Batter Blockchain Games Sentiment

- ▶ The US Securities and Exchange Commission (SEC) continues their enforcement on blockchain companies including Web3 games developer Impact Theory and Gala Games co-founder
- ▶ GameStop removes their crypto wallet service amid regulation uncertainty after just a year
- ▶ Web3 games developer Neon Machine, the studio behind the extraction shooter Shrapnel, has blocked US-based customers from cashing out their money to reduce exposure to an SEC lawsuit
- ▶ Andreessen Horowitz' Arianna Simpson reveals Web3 companies are moving offshore due to wanting to be regulatory compliant
- ▶ Sega announces that although they are pro-blockchain gaming they will be keeping their largest IPs away from the technology
- ▶ The Big Blockchain Game List has announced they have added 177 Web3 games in Q3: 48 in July, 39 in August, and 90 in September
- ▶ While Immutable X surges 25% on Upbit debut, President Robbie Ferguson, explains that Asia is at the front lines of Web3 adoption due to a "culture and genre fit" as many of the popular games in Asia already have been driven by collectables

Most Game Studios Embracing AI While Some Wait for Legal Clarity

- ▶ Companies embracing AI: Activision Blizzard, Alibaba, Auctoria, Buildbox, Hiber, Kunlun Group, Meta, Niantic, NCSOFT, Nexon, Opera, Ready Player Me, Scriptic, Tencent, and Unity
- ▶ Humble Games and Valve are sitting on the sidelines as copyright issues within generative AI are not disappearing anytime soon
- ▶ CD Projekt Red with Milogost Reczek family's approval, used AI to replace the deceased voice actor within the latest Cyberpunk 2077 Phantom liberty DLC, while Hi-Rez Studio revised their AI policy for such situations
- ▶ The US Federal Trade Commission (FTC), UK Central Market Authority (CMA) and Parliament are looking into regulating generative AI
- ▶ A Bain & Company study found that generative AI will account for half of game development within the next 5 to 10 years
- ▶ With AI becoming "the new wave" within the games industry, it's not absurd to wonder if AI is taking investments away from blockchain as A&T Capital (a games investor) has lost one of their backers Ant Group for AI

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Highlights

Additional Chinese Regulations as Gaming Market Recovers From Multiple Months of Restrictions

- ▶ After shrinking last year amid government regulatory crackdown, China's [gaming population](#) grew to record 668 million players (half of the country's population) at end of June with researchers finding that China's attempt to limit game time [ineffective](#) on heavy gamers
- ▶ Chinese game [sales](#) reached 144B CNY for the first half of 2023, a 4% decline since H1 2021
- ▶ Chinese regulators granted nearly [90](#) new licenses a month through July for a total of ~1,100 domestic games for 2023, nearly double 2022's approval level
- ▶ Already applied to [gaming](#), all [mobile](#) app developers to disclose their business information to the government which means a company must be in China or work with a local publisher
- ▶ [New regulations](#) will limit 16- to 18-year-olds to two hours of mobile usage/day and "non-adult" children banned from the internet between 10 PM to 6 AM
- ▶ Foreign-made mobile devices, including the iPhone, are [banned](#) for government officials for work purposes

Gaming and Entertainment Companies Continue to Expand IPs Through Other Mediums

- ▶ New movie adaptations announced: [Slime Rancher](#), and [Stray](#)
- ▶ New animated series or TV series adaptations announced include [Dark Souls](#), [Devil May Cry](#), [Fallout](#), and [Tomb Raider](#)
- ▶ Other adaptations announced: [Life is Strange](#) (comic book and novel) and [Stardew Valley](#) (cookbook)
- ▶ IPs enter gaming through games or crossovers include [Bluey](#), [Invincible](#), [Jujutsu Kaisen](#), [Power Slap](#), [Rebellion](#), and [Squid Game](#)
- ▶ Take-Two Interactive's CEO [Strauss Zelnick](#) announced that although they have a BioShock and Borderlands movie in the works, they believe expanding IPs into films is a "small opportunity economically"
- ▶ The Last of Us was up for 24 [Emmy](#) award nominations
- ▶ The Super Mario Bros. Movie officially [surpassed](#) \$1.4B in revenue with over 168.1M in viewership
- ▶ [Twisted Metal](#) debuted on Peacock in July and [Borderlands](#) got a release date of August 9, 2024

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Highlights

Unity Causes Industry Revolt After Price Restructure

- ▶ Unity's CEO John Riccitiello, [resigned](#) after admitting the company had "[f*cked up](#)" after restructuring the [pricing](#) model for their software caused an [industry revolt](#)
- ▶ Unity's [backlash](#) was due to the new [Unity Runtime Fee](#) which would allow Unity to charge game developers based on number of installs in preceding 12 months, which could be particularly burdensome for [mobile](#) and [smaller studios](#)
- ▶ Unity announced a [revised](#) plan after over 1,074 game studios have signed a [collective](#) letter announcing they will be turning off all IronSource and Unity [advertisement](#) monetization
- ▶ While the new plan still included a revised [runtime](#) fee, some game developers were [satisfied](#) with the changes; however, some studios including the United Game Developers believe the "[trust is gone forever](#)" and will be looking for [alternative](#) engines moving forward
- ▶ The [European Games Developer Federation](#) (EGDF) and UK [TIGA](#) calls upon their Government to pass a regulation where a service provider must give their clients a reasonable amount of time to react to the non-negotiable terms

More Strategics Attracted to India Despite Online Gaming Tax Now Live

- ▶ [Niko Partners](#) predicts India's gaming market to reach \$868M in 2023
- ▶ [AMD](#) and [Krafton](#) pledge a \$400M + \$150M for investments in India, while [Capcom](#) announced they will start focusing on [porting](#) their existing Console/PC titles to mobile for the Indian market and expect to sell more games in India than China in a decade
- ▶ Over 45 gaming [companies](#) wrote a letter to India's Prime Minister Narendra Modi, asking him to change the 28% tax bill
- ▶ India's [Mobile Premier League](#) laid off 50% of their workforce while the rest of India's gaming [companies](#) brace for impact on the online gaming 28% [tax](#) which went live on October 1st
- ▶ India is currently looking into their stance on [blockchain](#) and cryptocurrency as the global leaders or Group of Twenty (G20) framework and analyze a policy for India
- ▶ India financial service [PhonePe](#), launched a new alternative app store, so Indian developers could have better app discovery and consumer engagement compared to the Google Play Store

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Highlights

Gaming Hardware is Leveling Up

- ▶ Sony has officially sold over 40M PlayStation 5's while Xbox has experienced a [three-quarter](#) decline in console revenue
- ▶ Sony and [Xbox](#) reveal console refreshes, while Nintendo [reportedly](#) targets H2 2024 for its next-gen console that will replace the Nintendo Switch and [privately demoed](#) the console at Gamescom
- ▶ Take-Two Interactives CEO [Strauss Zelnick](#) admits mid-generation consoles "aren't all that meaningful" regarding how it would change the way developers create or tweak a game they're developing
- ▶ Sony's [handheld console](#) which streams PlayStation 5 games will be called PlayStation Portal, cost \$199.99, and release later in 2023
- ▶ Valve is now officially selling [refurbished](#) Steam Decks at a discount
- ▶ Finnish hardware company [UNEVN](#) unveils a new portable desktop PC gaming setup containing a foldable desk and storage for £1,149
- ▶ AMD announced a pair of new [Radeon RX 7000 GPUs](#) including the Radeon RX 7700 XT and Radeon RX 7800 XT
- ▶ Lenovo showcases the [Legion Go](#) handheld device, which brings PC gaming power to a handheld device, while Apple announces their [iPhone 15 Pro](#) can run AAA titles, including Resident Evil Village
- ▶ GuliKit unveils an all-in-one [docking station](#) for the Nintendo Switch, Steam Deck, Rog Ally, and others
- ▶ Acer announces a new [Acer Nitro V 15](#) gaming laptop directed for content creators and video editors who want to game on the go
- ▶ UPSpec Gaming's [xScreen](#) which is a 1080p foldable IPS display that was designed for the Xbox Series S has officially become a "designed for Xbox" licensed product
- ▶ Samsung revealed [The Freestyle Gen 2](#), an \$800 1080P resolution portable game projector which compliments Samsungs gaming hub
- ▶ Microsoft is now selling Xbox controller [repair kits](#) ranging from \$19.99 to \$34.99 and \$23.99 to \$59.99 for the standard and Elite Series 2

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Highlights

2023 Will Be a Historical Year For Investments/ M&As

- ▶ 2023 is a record-breaking year due to one transaction, [Microsoft + Activision Blizzard](#), which inflated 2023 to become the largest year across investments and M&As in combined value
- ▶ Additionally, a few high value transactions have extended the record-breaking year as YTD 2023 has been down across all values and number of investments and M&As compared to 2022's Q1-Q3's except for the number of IPOs
- ▶ YTD 2023 investments totaled \$2.7B across 459 investments (-78% in value and -39% in volume over 2022's Q1-Q3's \$12.4B over 756 investments)
- ▶ YTD 2023 M&As totaled \$6.8B across 104 transactions (-81% in value and -55% in volume compared to 2022's Q1-Q3's \$36.3B across 233 transactions)
- ▶ YTD 2023 IPOs totaled \$507.3M across 9 IPOs (-60% in value and +13% in volume compared to 2022's Q1-Q3's IPOs totaling \$1.3B across 8 IPOs); if Q4 IPOs mirror prior quarters, 2023 will achieve second best year for volume

Strategic and Financial Investors/Buyers for More Investments and Acquisitions

- ▶ As demonstrated by Microsoft's claim that Activision Blizzard acquisition was in part motivated to get a foothold in mobile, mobile studios will continue to be a strong attraction for investments and M&As
- ▶ After Embracer Group announced a \$2.0B deal [collapsed](#) in Q1 2023 report (reportedly with [Savvy Games Group](#)) caused mass layoffs and a [restructuring](#) plan, their studios to be further divested as Embracer focuses on growth profitability and financial stability after [raising](#) \$184.6M in a share issue to lower their net debt target
- ▶ With lower valuations, eSports is a timely opportunity as represented by GameSquare's upcoming acquisition of [Faze Clan](#) for \$17M, a far cry after the company held a \$725.0M reverse merger in July of 2022
- ▶ Tencent was very active this quarter as they acquired [Visual Arts](#), [Lucid Games](#) and invested in [Lighthouse Games](#); DDM predicts that this may be a sign of a potential uptick in transactions from Chinese giants as they expand into other markets

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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 include:

Video gaming transactions with a future impact:

- ▶ Microsoft's \$68.7B acquisition of games developer and publisher [Activision Blizzard](#) for \$68.7B officially closed in Q4 2023 on October 13th, 2023
- ▶ Goldman Sachs, General Atlantic, KIRKBI, and Glitrafjord's \$1.72B acquisition of educational games platform provider [Kahoot!](#) which is expected to close in H1 of 2024
- ▶ Gamesquare Holdings' \$17M acquisition of eSports organization [Faze Clan](#) is expected to close in Q4 of 2023, a far cry after the company held a \$725.0M reverse merger SPAC in July of 2022

Adjacent transactions with no impact on report:

- ▶ Epic Games' sale of California based music marketplace and community provider [Bandcamp](#) to Songtradr after acquiring the company back in March of 2022 due to a company restructure
- ▶ Improbable's sale of their [defense division](#) to NOIA capital, a move to focus on their main portfolio of applications for the metaverse



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.

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