

Gaming Deals Activity

Report

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Q1 - Q3 '22

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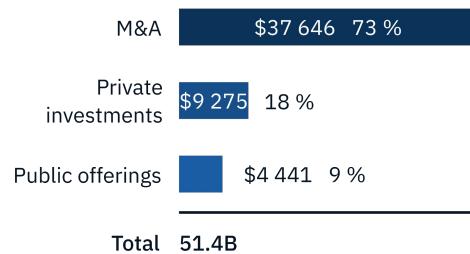
HIRO CAPITAL

2 Executive Summary Q1–Q3'22

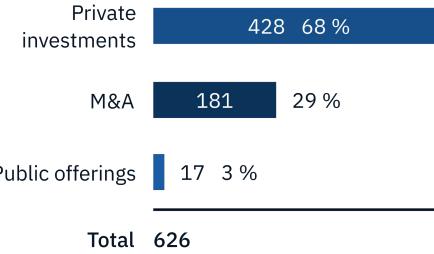
Note: (*) announced transactions are not included in the charts and graphs; see Methodology & Glossary (p. 25)

Value of Closed Deals*, \$m

By Deal Type



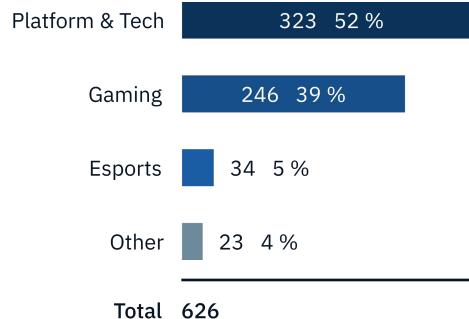
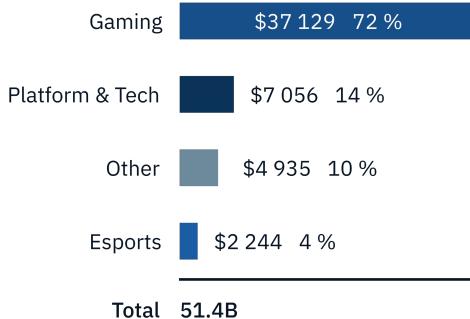
Number of Closed Deals*



Total

\$51.4B
value of 626 deals (closed)

By Target Sector



\$124.5B
value of 636 deals (closed + announced)

3 Executive Summary Q1–Q3'22

Q3'22 has proven to continue the somewhat lagging results of the previous quarter, further exacerbating the gaming market cooling conditions: the current lumpy macroeconomic situation, post-pandemic user engagement changes, post-IDFA pressure, increased regulatory scrutiny, release dates shifts, supply chain issues, and other factors. This quarter has experienced weakening across all investment activity types.

In Q1–Q3'22, we have registered 626 closed deals with the overall deal value of \$51.4B, or \$124.5B, including 10 more announced but not yet closed deals—of course, the lion's share of that sum is the yet to be closed \$69B Microsoft Activision Blizzard deal. It's essential to understand here, that even though \$124.5B is almost 2x bigger than \$62.4B (Q1–Q3'21 closed + announced cumulative deal value), without the Activision Blizzard potential acquisition the actual value is lower: \$55.5B. The same is true for closed deals, with \$51.4B vs. \$58.8B across 709 deals in Q1–Q3'21. If the final quarter of 2022 turns out to be as heavily impacted as the third one, we may safely say that 2022 will not be as record-breaking as 2021 was.

Following the contradictory results of the M&A activity in H1'22, the trend continues in Q3'22. From the deal value perspective, there is a 16% growth to \$6.7B in Q3'22 (compared to \$5.8B in Q3'21). Meanwhile, the overall deal count shows a tremendous decline (-31%), from 80 deals in Q3'21 to 55 deals in Q3'22. Looking at a bigger picture, we see the lowering interest from strategic investors, with a -25% decline of the total deal number from 239 in Q1–Q3'21 to 181 in Q1–Q3'22, whereas the total deal value reached a new high of \$37.6B (vs. \$28.7B in Q1–Q3'21), indicating 31% growth.

It seems like the soured macroeconomic situation has finally caught up with Private Investments as well: the last quarter showed the weakest result since Q4'20. 111 deals have presented the total disclosed value of \$1.4B, indicating a sharp decline from Q2'22 (-69% QoQ). There is a slight chance some heavy values remained undisclosed in Q3, but the declining deal number and the general economic slough suggest otherwise. Despite the drop, the sum of Q1–Q3 still allows 2022 to so far outrace 2021: it's \$9.3B among 428 deals, against \$8.8B among 409 deals in Q1–Q3'21. We'll have to see how the Q4'22 fairs, though.

Gaming Only

\$37.1B

value of 246 deals (closed)

\$105.8B

value of 255 deals (closed + announced)

4 Executive Summary Q1–Q3'22

While the weakness in the investment activity has been observed throughout the entire gaming market activity in Q3'22, the most drastic declines have come from Public Offerings, which reached its lowest point since the beginning of 2020. On a YTD basis, the total deal value has shrunk ~5x times vs. 2021, and ~2x times vs. 2020; meanwhile, the deal count has declined 3.6x vs. 2021 and 3x vs. 2020, making 2022 the worst year for Public Offerings.

Meanwhile, YTD Strategic Investors got a new record in terms of the deal value, reaching \$101.4B (vs. 23.4B in Q1–Q3'21), while a total number of closed deals showed a noticeable decrease from 134 transactions in Q1–Q3'21 to only 81 deals YTD (~40%). Embracer took the first place with 22 deals, with a total amount of \$3.8B. The most notable deals were the acquisition of Asmodee for \$3.1B, six acquisitions on Aug'22 for \$765m, and acquisition of three studios from Square Enix—Crystal Dynamics, Eidos-Montréal, and Square Enix Montréal—for \$300m consideration.

This time, we've split the Top VC list into two buckets: the traditional Gaming one, and the Web3 gaming one, the latter being dedicated solely to the investments into gaming projects, platforms, and infrastructure solutions in Blockchain, Web3, NFTs, P2E related space. The traditional Gaming list is yet again led by BITKRAFT Ventures, which invested \$265m across 21 deals. The Web3 investors' list leader is Animoca Brands, which has provided \$1.2B capital across 51 deals.

While Blockchain gaming used to be the driving force of Early-stage investment activity, Q3'22 is the first quarter with negative growth metrics in the blockchain-related investments: even though the total number of deals continued to grow (up 2.8x YoY; 61 vs. 22), the total deal value was down ~14% YoY (\$932m vs \$1.09B). The above showcases continued but slightly waning investor interest in the potential future of uniquely enabled business models in blockchain games. Overall, we observe the continuation of 2022 market correction, as mentioned in our previous reports.

Gaming M&As Only

\$29.4B

value of 118 deals (closed)

\$98.1B

value of 124 deals (closed + announced)

5 M&A Activity

Following the contradictory results of the M&A activity in H1'22, the trend continues in Q3'22. In terms of the deal value, there's 16% growth to \$6.7B in Q3'22 (vs. \$5.8B in Q3'21). Meanwhile, the overall deal count shows a tremendous decline (-31%), from 80 deals in Q3'21 to 55 deals in Q3'22. However, even with total value growing, it's worth mentioning 54% of the total value in Q3'22 comes from a single mega-deal: Bungie acquisition by Sony. In comparison, the biggest deal in Q3'21—Electronic Arts buying Playdemic—contributed only 24% of the total value.

Closed M&As in the Video Games Industry, \$m



Looking at a bigger picture, we see the lowering interest from strategic investors, with a -25% decline of the deal count from 239 in Q1–Q3'21 to 181 in Q1–Q3'22, whereas the total deal value reached a new high of \$37.6B (vs. \$28.7B in Q1–Q3'21), indicating 31% growth.

For Q1–Q3'22, top 5 deals contributed almost 65% of the deal value: Zynga—Take-Two Interactive (\$12.7B); Bungie—Sony (\$3.6B); Asmodee—Embracer Group (\$3.1B); Saudi Arabia's Public Investment Fund (PIF) purchase of a minority stake in Nintendo (\$2.7B); and Joffre Capital purchase of a minority stake in Playtika (\$2.2B).

Even despite the total deal value 14% growth (\$29.4B across 118 deals vs. \$25.8B across

149 deals), the overall share of the Gaming sector deal value has decreased from 90% to 78%. Meanwhile, the Other sector (see Methodology & Glossary, p. 25) with the Asmodee acquisition for \$3.1B, and the Esports sector with the acquisition of ESL Gaming and Faceit by Savvy Gaming Group for \$1.5B, not only both show tremendous deal value growth—10.7x (\$4.3B vs. \$0.4B) and 10x (\$1.98B vs. \$0.2B) respectively,—but also demonstrate growth in total ratio. The Other sector contribution has increased from 2% in Q1–Q3'21 to 12%, while the Esports sector deal value share has increased from 1% to 5%.

Due to the current bearish market and the unstable economic situation in the US and Europe, the overall interest from strategic investors shows a significant decline. However, with the latest news from PIF (incl. Savvy Gaming Group), the Embracer resources, and Tencent increased activity, we still have a strong believe that the M&A activity will continue, with more huge deals to come.

6 Private Investment Activity

As we have now passed the Q3 of 2022, it seems like the soured macroeconomic situation has finally caught up with Private Investments: the last quarter showed the weakest result since Q4'20. 111 deals have presented the total disclosed value of \$1.4B, indicating a sharp decline from Q2'22 (-69% QoQ). There is a slight chance some heavy values remained undisclosed in Q3, but the declining deal number and the general economic slough suggest otherwise.

Despite the drop, the sum of Q1–Q3 still allows 2022 to so far outrace 2021: it's \$9.3B among 428 deals, against \$8.8B among 409 deals in

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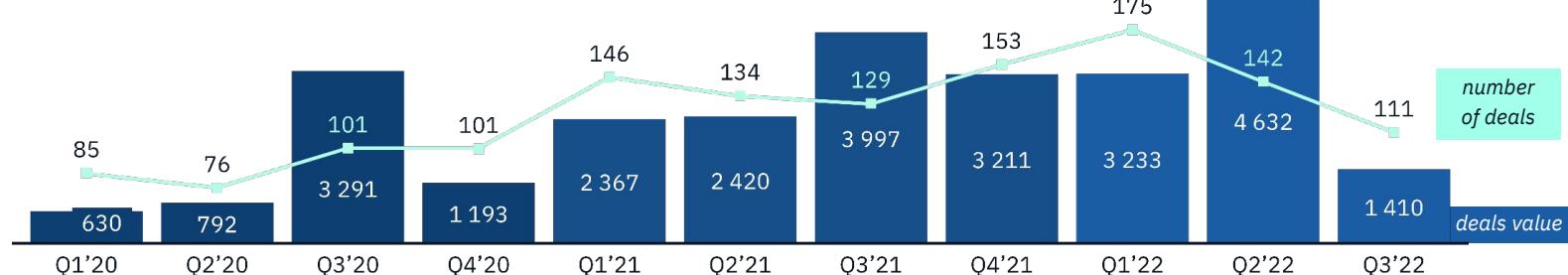
Throughout Q1–Q3'22, Early-stage VC deals now occupy 41% of the total deal value (\$3.8B) across 343 deals (up from 38% in Q1–Q2), meaning Early-stage VC placements are gaining more and more momentum among Gaming investors – compare this to 20% in Q1–Q3'21 (\$1.8B) and 16% in Q1–Q3'20 (\$744m).

However, the biggest Early-stage VC deal of Q3'22 was the \$55m Series a of Jot Art, noticeably lower than the record-breaking rounds of Q1–Q2'22.

As for the Late-stage VC deals, those account for 35% of the total deal value (\$3.2B) across 43 deals. With no disclosed deals of epic sizes (pun intended) this year (like Epic's \$1.5B round back in 2020, or again Epic's \$1B round of 2021), it's understandable why the category share is declining from 70% in Q1–Q3'21 (\$6.2B), and 76% in Q1–Q3'20 (\$3.6B). The biggest Late-stage VC transaction of Q3'22 was the \$200m Series B+ round of Limit Break.

In a stark contrast to the Q2'22, which saw a crazy \$2B Corporate round by Epic, Q3'22 saw just 9 deals with the total disclosed value of \$17.4m, including NetEase investing \$13.2m into Something Wicked Games.

Private Investments in the Video Games Industry, \$m



7 Public Offerings Activity

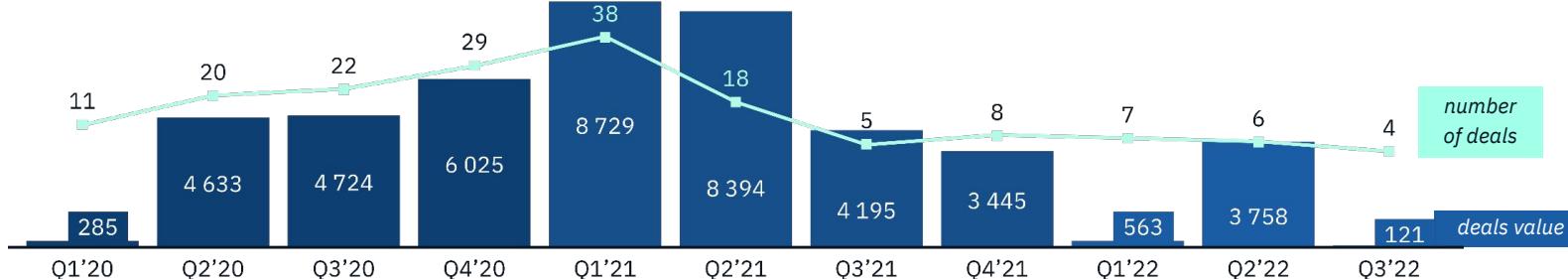
While the weakness in the investment activity has been observed throughout the entire gaming market activity in Q3'22, the most drastic declines have come from Public Offerings, which reached its lowest point since the beginning of 2020.

On a YTD basis, the total deal value has shrunk ~5x times vs. 2021, and ~2x times vs. 2020; meanwhile, the deal count has declined 3.6x vs. 2021 and 3x vs. 2020, making 2022 the worst year for Public Offerings.

Public listings have come to a nearly full stop over the last 3 months, with the most notable stories being:

- FaZe Clan (via SPAC)—a professional Esports and entertainment organization, currently trading at -70% discount to its listing price;
- Technicolor Creative Studios (TCHS)—a provider of creative visual art services, spinning out of its parent company, and going public at a \$1B+ valuation;
- Valofe (via SPAC)—a developer and publisher of online PC and Mobile games, going public at a \$3.5B+ valuation.

Public Offerings in the Video Games Industry, \$m



8 VC Gaming Funds

Note: (*) based on the internal weighted average ranking system (see p.23); (**) based on gaming investments with the disclosed deal value (no Web3 gaming deals included)

Rank*	Venture Capital Fund	# of Deals	Total Deal Value**, \$m	# of Leading Deals	Lead Deals Value**, \$m	Selected Lead Deals
1	BITKRAFT Ventures	21	265	11	23	Lightforge Games, GGWP, Sprocket Games
2	Makers Fund	10	489	2	62	Theorycraft Games, Alta
3	Galaxy Interactive	15	210	2	16	Nekcom, Gadsme
4	Griffin Gaming Partners	10	162	2	63	Spyke, coherence ApS
5	Andreessen Horowitz	9	194	6	118	Ready Player Me, Carry1st, PahdoLabs
6	Hiro Capital	8	197	5	119	FRVR, Incredibuild, Machinations
7	Konvoy	9	125	6	44	Solsten, Sanlo, Pok Pok, Cognitive3D
8	Sisu Games Ventures	14	60	5	4	Roleverse, Extra Dimension Games
9	vgames	10	19	9	12	Candivore, InnPlay, Octoplay, Day2 Games
10	1Up Ventures	10	57	2	6	Stratosphere Games, Atom Switch
11	Index Ventures	3	300	3	300	Dream Games, Backbone, Bit Odd
12	GEM Capital	9	17	9	17	HypeMasters, Game Garden, Vestan
13	The Games Fund	7	17	7	17	HypeMasters, Made on Earth Games
14	Lumikai	4	51	2	2	CloudFeather, Supernova
15	London Venture Partners	6	28	1	4	Pnkfrg

9 Strategic Investors*

YTD Strategic Investors got a new record in terms of the deal value, reaching \$101.4B (vs. 23.4B in Q1–Q3'21), while a total number of closed deals showed a noticeable decrease from 134 transactions in Q1–Q3'21 to only 81 deals YTD (~40%).

Embracer took the first place with 22 deals, with a total amount of \$3.8B. The most notable deals were the acquisition of Asmodee for \$3.1B, six acquisitions on Aug'22 for \$765m, and acquisition of three studios from Square Enix—Crystal Dynamics, Eidos-Montréal, and Square Enix Montréal—for \$300m consideration.

Saudi Arabia's Public Investment Fund (PIF), with its subsidiary Savvy Gaming Group, took the second place with 7 deals, including purchasing of shares of 5 public gaming companies (incl. Embracer). Furthermore, on Sep'22, Savvy Gaming Group announced its plan to spend \$37B for investing in the gaming market, including the acquisition of one of the major publishers for \$13B.

Sony, with the acquisition of Bungie for \$3.6B, participation in Epic Games' \$2B round, and the other 9 deals, took third place.

Tencent, the most active Strategic Investor in 2021, took up the fourth place, with 14 deals for a total amount of \$2B, including the acquisition of Sumo Group for \$1.26B.

The continued bearish trend on public markets, alongside increasing inflation in the US and Europe, will probably continue to affect the overall activity of the Strategic Investors in Q4'22.

On the other hand, with the aforementioned announcement from Savvy Gaming Group, as well as Tencent and NetEase interest in the Western gaming companies, plus the strong cash position of Embracer, we still can expect more big deals happening in Q4'22.

Note: () including recently announced and unclosed transactions; (***) based on the internal weighted average ranking system, this list reflects most active strategics, thus the deal value alone does not guarantee the top spot—the number of deals is substantial too*

Rank**	Strategic Investor	# of deals	Disclosed Value, \$m	Deal Type	Investment Focus
1	Embracer Group	22	4 611	M&As	PC & Console, Mobile, Board
2	Saudi PIF (incl. Savvy Gaming Group)	7	6 435	M&As, Corporate	PC & Console, Esports
3	Sony	11	5 700	M&As, Corporate	PC & Console, Tech
4	Tencent incl. subsidiaries	14	2 006	M&As, Corporate	PC & Console, Mobile
5	Microsoft	1	68 700	M&As	PC & Console
6	Take-Two Interactive	1	12 700	M&As, Corporate	PC & Console, Mobile
7	AppLovin	2	1 050	M&As	Tech, Mobile
8	Team 17	3	217	M&As	PC & Console
9	Kakao Games	3	132	Corporate	PC & Console, Mobile
10	Nexters	3	125	M&As	Mobile
11	Krafton	5	89	M&As, Corporate	Mobile, Tech
12	Overwolf	3	33	M&As, Corporate	P2E, Tech
13	Ubisoft	3	24	Corporate	PC & Console, P2E
14	Stillfront Group	1	301	M&As	Mobile, PC & Console
15	Nacon	2	61	M&As,	PC & Console

10 Q3'22 Largest Announced / Closed M&A Transactions

\$4.4B



\$3.6B



30.37% stake

\$925m



Alexander Chachava
+ MY.GAMES

\$470m



49.9% stake

€300m



Tencent

\$246m
9.39% stake

FROM SOFTWARE

SONY

12.16% stake

11 Gender Diversity

In the [last Report](#) for the first time ever we introduced the gender diversity data on the founders and leaders of the gaming companies that closed gaming investment deals as targets. That data spanned only the period of H1'22; this time we provide a wider range, including data for the FY 2021 too, which hopefully helps us see a bigger picture.

On the whole, the YoY balance has practically not changed: in 2021, 90% of all companies were led by men (713), with mixed-led ones coming in second (60). Women-led entities represented just 2% (14).

Gender Breakdown*

Genders	Men	Mixed	Women
2021	713 90 %	60 8 %	14 2 %
2022 YTD	511 89 %	52 9 %	12 2 %

Segment	Gaming	Esports	Platform & Tech	Other
2021	40 54 %	7 9 %	23 31 %	4 5 %
2022 YTD	28 43 %	35 55 %		1 2 %

Compare this to the 2022 YTD: so far, 89% of the companies are male-led (511), with mixed-led occupying 9% (52), and women-led the same 2% (12). We'll have to see how things change in Q4'22, but it's unlikely the balance will shift significantly.

There's, however, a noticeable change in the sectors balance among women- and mixed-led companies, with Platform & Tech now leading with 55% (35 companies), leaving Gaming second (43%, 28 companies). Back in 2021, Gaming dominated other sectors with 54% (40 companies).

41% of all companies with mixed and women-only leaders are from the US, while UK-based and Canada-based companies gave 8% each (5 companies per country). Turkey takes third place with 4 companies (6%).

The biggest deals for the mixed-founded/led companies in 2022 YTD are the \$450m Seed round of Yuga Labs (with Nicole Muniz as CEO), Embracer Group acquisition of Crystal Dynamics for \$300m, and SciPlay buying Alicutus for \$300m. The biggest deal for women-led companies is the \$12.5m Seed round by Turkey-based Turnip.

**To our best knowledge, no companies that closed gaming investment deals as targets in FY 2021 and Q1–Q3'22 were led by non-binary, or gender-neutral founders, or by person of other genders. If we did make a mistake, however, please let us know at digest@investgame.net.*

12 Top-15 Deals with the Biggest Global Media Coverage **WHITE LABEL PR**

Rank	Target	Lead Investors/Buyers	Type of the deal	Sum of the deal, \$m	Number of mentions
1	Bungie	Sony Interactive Entertainment	Acquisition	3600	4985
2	Crystal Dynamics	Embracer Group	Acquisition	300	2256
3	FromSoftware	Tencent, Sony	Minority Acquisition	246, undisclosed	992
4	Ready Player Me	Andreessen Horowitz (lead)	Series B	56	371
5	Animoca Brands	Temasek, Boyu Capital, GGV Capital	Late-stage VC	110	286
6	Hadean	Molten Ventures	Series A	30	183
7	Planetarium Labs	Animoca Brands	Series A	32	171
8	Limit Break	Buckley Ventures	Late-stage VC	200	159
9	ZEBEDEE	Kingsway Capital	Series B	35	159
10	ReKTGlobal	Infinite Reality	Acquisition	470	106
11	MY.GAMES	Alexandr Chachava	Acquisition	642	100
12	Inworld AI	Section 32, Intel Capital	Series	50	100
13	Xterio	FunPlus, Makers, FTX Ventures, XPLA	Seed Round	40	99
14	Animoca Brands	True Global Ventures	Late-stage VC	21	83
15	Iskra	Krust, Wemade, Netmarble, Line Studio	Series A	40	75

Together with [White Label PR](#), we have collected the most media covered deals, ranking them by the number of mentions on websites with 5 000+ MAU.

To make the data as objective as possible, we did not consider duplicate articles and only used the deals with disclosed transaction value in this methodology.

Gaming Companies

 investgame

14 Gaming: Investment Activity

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

Contrary to the robust activity in H1'22 in terms of the deal value, in Q3'22 the investment activity witnessed a dramatic decline, with only 32 closed deals (vs. 73 in Q3'21), and a total value of \$147m (vs. \$2B in Q3'21).

A decline in most of categories in Q1–Q3'22 is notable: Early-stage VC deals showing a decrease of -37% in the total deal count, with 81 closed deals of \$0.9B total value (-9% YoY); and Late-stage VC deals with a total value of \$0.7B (-77% YoY) across 13 deals (-43% YoY).

Only the Corporate section shows a 4x increase, with a total value of \$2.2B in 23 deals (-65% YoY), main contributor being Epic Games \$2B round (92%).

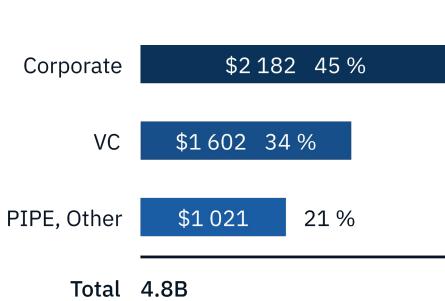
Even though Gaming VCs are still sitting on high levels of dry powder, what with the current situation on public markets, as well as higher interest rates, investors have started to be way more careful in their choices regarding potential investments.

Hence, with such low performance in Q3'22, we can assume that it will be hard for investment activity to achieve the results of 2021.

In Q1–Q3'22, investment focus is shifting more to the Multiplatform segment, with only 20 closed deals within the segment contributing almost 71% of the total deal value (vs. 61% in Q1–Q3'21); the Mobile segment still holds second place, with 18% (vs. 21 in Q1–Q3'21) across 53 deals. PC & Console took up the third place, with the total deal value contribution declining from 12% to 9%.

As for the regional split, in Q1–Q3'22 the US continues to be the most active market, with 37 closed deals. The UK, with 15 closed deals, holds up the second place. Turkey continues to hold the third place, with 11 closed deals.

Q1–Q3'22: Deal Value, \$m



Investment Activity* in the Gaming Sector, \$m



15 Gaming: M&A and Exits Activity

Note: (*) Exits include M&As, direct listings, SPACs, and IPOs

With silence reigning on bearish public markets and the recession pending, the declining trend in both the M&A transaction value (\$6.1B in Q3'22 vs. \$8.9B in Q3'21) and the number of deals (39 in Q3'22 vs. 52 in Q3'21) pursues. Moreover, almost 59% of the total deal value in Q3'22 was contributed solely by Sony Interactive acquisition of Bungie, while in Q3'21, the biggest transaction—Krafton IPO of \$3.7B—contributed 42%.

A lack of Public Offerings also persists, though one significant Public Offering did happen:

Technicolor Creative Studios spinning out of its parent company Vantiva.

The top-5 deals contribution has increased significantly from 55% in Q1–Q3'21 to 76% in Q1–Q3'22, with such deals as Zynga—Take-Two (\$12.7B), Bungie—Sony (\$3.6B), Nintendo shares purchase by PIF (\$2.7B), Playtika shares purchase by Joffre Capital (\$2.2B), and Sumo Group—Tencent (\$1.26B). Furthermore, only one of these top-5 deals occurred in Q3'22.

In Q1–Q3'22, the Mobile segment continues holding its leading position as the main contributor in the deal value, with a total amount of \$16.9B across 39 deals (vs. \$17.9B

across 55 deals), with a total share of 57%. Showing a slight decrease in the overall share (29% vs. 33% in Q1–Q3'21), the PC & Console segment remains second, with 43 deals (vs. 69 deals) and a total value of \$8.6B (vs. \$11.6B).

The Multiplatform segment deals, with a total value of \$3.9B (vs. \$5.3B) across 25 deals (vs. 22 deals), contributes 13% (vs. 15%).

Overall, we notice a significant decrease in the investors activity on the M&A market, which can be explained by the current economic situation, the lack of large independent gaming companies, and lower multiples, due to the bearish market. However, with the latest announcements from such companies as Embracer, PIF, and the latest deals of the Chinese gaming companies (Tencent, NetEase) we can still expect to witness several huge deals in Q4'22, which in turn could dramatically change the overall picture of 2022 performance.

Exits* in the Gaming Sector, \$m



16 Gaming: Closed Control M&A Targets Geo



17 Gaming: Late-stage VC & Corporate

The number of Late-stage VC and Corporate rounds continues to decline since the end of 2021, with Q3'22 being the lowest point with only 4 Late-stage VC and 6 Corporate rounds. The same goes for the disclosed deal value.

Both Q2'22 and Q3'22 have indeed been challenging quarters for Late-stage VC rounds. The activity tumbled, as financial investors paused to reassess the potential exit opportunities, with valuations being adjusted across the sector in both public and private markets.

Ongoing uncertainty around the future performance of the gaming industry, the disconnection between the seller-buyer valuation range, and continued public market volatility—all this only adds fuel to the fire; we can expect Late-stage VC activity to remain low for the next few quarters.

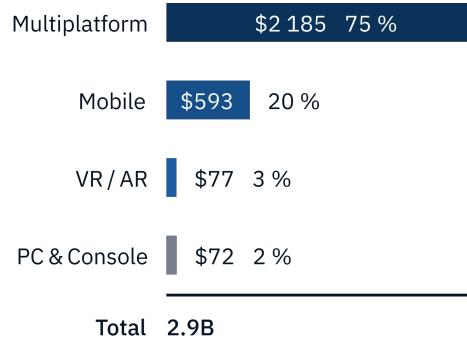
On the other hand, well-equipped large strategic investors with strong cash flows and balance sheets remain active dealmakers, closing 6-10 deals per quarter. Deteriorating valuations and more favorable terms for investors only support

Most notable rounds of Q3'22 include:

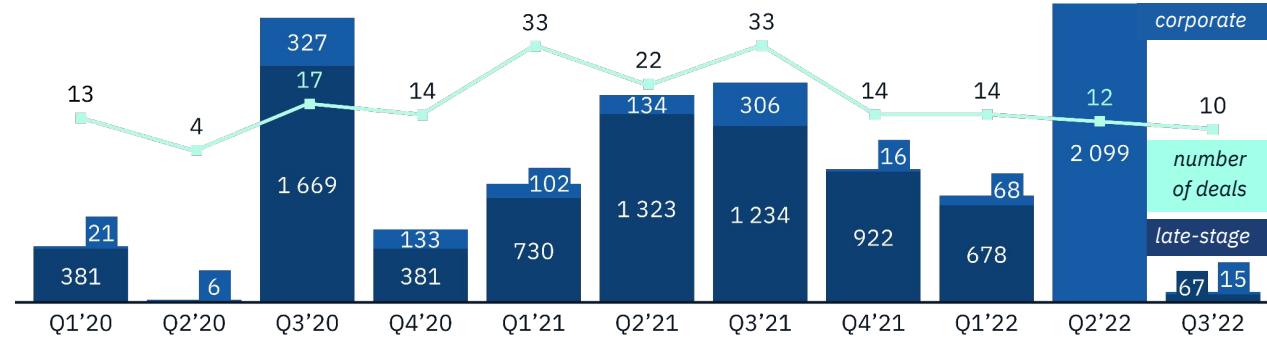
—Theorycraft Games studio raising \$50m in Series B round, led by Makers Fund with participation from NEA and a16z;

—NetEase leading the rounds for Something Random (VR game studio) and Something Wicked Games (AAA-game development studio).

Q1–Q3'22: Deals Value, \$m



Late-stage VC & Corporate Activity in the Gaming Sector, \$m



18 Gaming: Early-stage VC

As mentioned earlier, in Q1–Q3'22 Early-stage VC Gaming placements have accumulated the total value of \$865m across 81 deals, which represents a -8% decline in the deal value and a -37% decline in the deal count against Q1–Q3'21 (\$945m across 131 deals). This constitutes 23% of the total Private Gaming deals value (\$3.8B) vs. 20% in Q1–Q3'21, and 69% of the total deal count (119) vs. 60% for the same period of the last year, meaning the concentration of Early-stage VC investments rising YoY within the Private category.

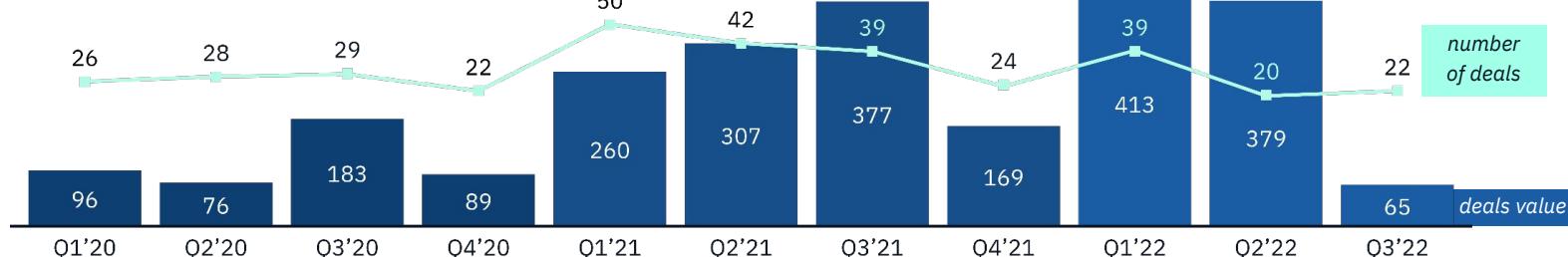
Average checks have also risen YoY: 14% for Seed rounds (\$4.2m vs. \$3.7m), and 43% for Series a rounds (\$28.7m vs. \$20.1m).

44% of all deal value in Q1–Q3'22 has been occupied by the PC & Console segment (\$381m across 21 deals), vs. 33% in Q1–Q3'21 (\$316m through 28 deals). Mobile comes in second (29%), with 35 deals of \$255m total value (vs. 59 deals of \$319m value, or 34%). Multiplatform takes up third place with 22% (\$188m across 14 deals), vs. 26% in Q1–Q3'21.

Region-wise, US-based companies are again at the first place, with \$494m raised across 27 deals. Turkey comes in second, with \$71m raised across 10 deals, while UK-based companies amassed \$44m throughout 9 deals.

The third quarter of 2022 is noticeably one of the weakest periods in the recent Early-stage VC Gaming placements timeline, with only 22 deals of \$65m disclosed value. This is yet another sign of the current 'safe access' approach investors have been recently showing for gaming investments. The biggest deal of Q3'22 is the \$12m Series a round of Netspeak (led by Lakestar and Project A), followed by the \$8m Series A, raised by Nekcom (led by Galaxy Interactive), and a \$8m Seed round, raised by Gym Class, a VR app (led by a16z).

Early-stage Investment Activity in the Gaming Sector, in \$m



Blockchain Gaming

 **investgame**



20 Blockchain Gaming Deals



Note: (*) this analysis has been provided by Naavik consulting firm, based on the InvestGame data; (**) only closed deals are reflected in the graphs

While Blockchain gaming used to be the driving force of Early-stage investment activity, Q3'22 is the first quarter with negative growth metrics in the blockchain-related investments: even though the total number of deals continued to grow (up 2.8x YoY; 61 vs. 22), the total deal value was down -14% YoY (\$932m vs \$1.09B).

The above showcases continued but slightly waning investor interest in the potential future of uniquely enabled business models in blockchain games. Overall, we observe

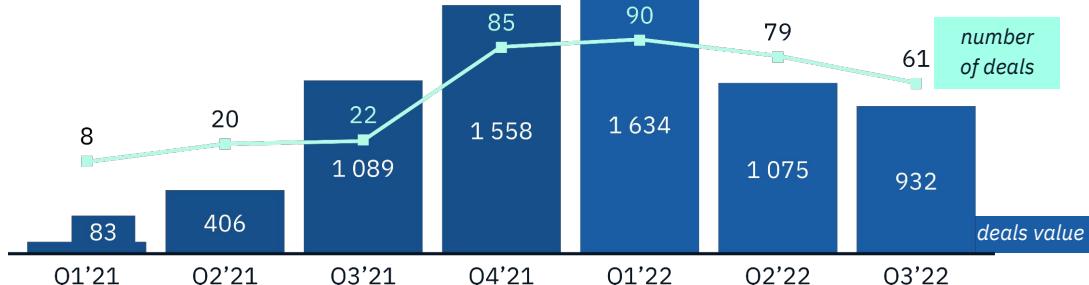
the continuation of 2022 market correction, as mentioned in our previous reports.

The total number of deals for Q3'22 was down -23% QoQ (61 vs. 79), while the total deal value was down -13% QoQ (\$932m vs. \$1.08B). Both metrics have been down two quarters in a row now.

Brands \$110m Series B+ (led by Temasek, Boyu Capital and GGV Capital), and Jot Art \$55m Series a (led by Psalms Capital, KaJ Labs and ACP). Deal sizes more broadly are also slowly dropping.*

The biggest Q3'22 deals were Limit Break \$200m Series B+ (led by Buckley Ventures, Paradigm and FTX, amongst others), Animoca

Blockchain Gaming Deals in the Video Game Industry, \$m**



21 Blockchain Gaming Deals



Note: (*) this analysis has been provided by Naavik consulting firm, based on InvestGame data

Over Q3'22, 67% of the deal count was concentrated in Seed round investments, while 94% of the deal value was pretty equally split between Seed, Series a and Series B+ rounds (\$873m). Average Seed round check sizes have actually grown a bit (\$9m in Q3'22 vs. \$7m in Q2'22), what with a smaller deal count, but bigger values. The biggest Seed round of the quarter is \$45m raise of Animoca Brands Japan at \$500m valuation (led by its parent company Animoca Brands).

1/4 of all Seed round deals were higher than the \$9m/deal average, with Animoca Brands Japan, Klang Games, and Xterio seeing Seed check sizes bigger than or equal to \$40m, and Meta World raising \$30m. 4 of all Series a deals were higher than the average size of \$25m per deal, with Jot Art, Gunzilla Games, Iskra seeing Series a check sizes bigger than or equal to \$40m (with Iskra following up their Seed round of \$34m back in April), and Planetarium Labs raising \$32m.

The hottest deal of the quarter was by far Limit Break. We first learned of Machine Zone co-founder and former CEO Gabriel Leydon's new initiative with Limit Break during his [interview on Invest Like the Best](#) almost a year ago. The company has been in stealth mode for quite a while until they recently announced a \$200m raise at a reported \$1.8B valuation! The latest fundraising announcement included details about Leydon's 'new' take on Web3 gaming—Free-to-Own. The killer feature of F2O is the simple fact that it dramatically lowers barriers to entry by offering NFTs for free and not gating game access with sometimes absorbently high NFT (of multiple NFTs) purchase prices. This could be an important catalyst for accelerating the mass market adoption of blockchain gaming. Read our take on how Limit Break fits into the three eras of crypto-gaming and various product evolution cycles [here](#).

Animoca Brands \$110m Series B+ was mostly a strategic round, with new investment coming from Temasek, Boyu Capital and GGV Capital as the blockchain specialist issued convertible notes to a small number of institutional investors at a conversion price of \$3.10. Returning investors Mirae Asset Management and True Global Ventures (TGV) also increased their backing of the Hong-Kong based metaverse and blockchain gaming firm. Animoca Brands confirmed the new investment will help fund strategic acquisitions, investments, product development, obtaining licenses for intellectual property, and expand further into the metaverse space. Read more about the broader ecosystem strategy Animoca Brands is building towards on [Naavik Pro](#).*

22 Blockchain Gaming Deals



Note: (*) this analysis has been provided by Naavik consulting firm, based on InvestGame data

One interesting company that raised a \$55m Series a was Jot Art. Their mission is ‘to provide an ecosystem for everyone to create amazing, distributed virtual experiences with community and player-owned economies’. The Jot Art Metaverse is Lithosphere’s cross-chain NFT Platform, and the vision within the Jot Art Metaverse is for objects and characters from other networks to interact freely on the Lithosphere blockchain. Unfortunately, this isn’t a very unique vision in the broader race towards interoperability solutions, but not all companies focused on interoperability have secured such a Series a funding either. Further, their litepaper is ‘light’ on details, which makes it hard to instill confidence from a third person point of view. But they do have two games lined up, which will be interesting to watch.

Web3 gaming guilds continue to be under criticism, as most first-wave crypto games were built for a speculation-driven bull market, and a large majority of guilds mainly focused on *Axie Infinity*. With that in mind, guilds existed primarily to earn yield on in-game assets (while sharing the proceeds with participants, usually in developing countries). This theoretically only works in P2E games, but if P2E games are fundamentally broken and unsustainable, so are the guilds that buy-in. For super guilds, such as Yield Guild Games, not only has that led to falling new scholar numbers, but also to dropping distributable revenue to scholars. And since now nearly all of the first-wave blockchain games have been in downward spirals, it means most guilds don’t really have a valid reason to exist. Read our expanded thoughts and predictions on how the guilds business model will evolve [here](#).

Overall, it seems like the blockchain gaming deal market continues to mature into its second stage, wherein the companies garnering most of the funding attention are no longer the ones building platform layers on which future blockchain games could live; but rather the blockchain gaming studios themselves that can produce engaging content that makes use of blockchain gaming infrastructure are. This doesn’t mean that investors have lost their appetite for infrastructure companies, but just that there aren’t too many more infrastructure opportunities hitting the market. Lines have likely been drawn in the sand across current infrastructure competitors, and the fight for market share has begun.

All that said, both the deal number and the deal value have further slowed down over the last quarter. And if Q3’22 performance is any indicator, deal activity will continue to normalize to realistic levels over 2022 and going into 2023. Crypto winter performed a massive market clean up, investors are getting smarter with their bets, and builders continue to build. But continued blows to the broader crypto market (such as [FTX’s latest news](#)) isn’t doing the space any favors either.*

Get a [Naavik Pro](#) trial for more alpha on Financial Markets, F2P Mobile and Blockchain Gaming every week! Make sure to mention [INVESTGAME](#) sent you for -10% off.

23 Web3 Gaming Investors

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

Rank*	Venture Capital Fund	# of Deals	Total Deal Value**, \$m	# of Leading Deals	Lead Deals Value**, \$m	Selected Lead Deals
1	Animoca Brands	51	1 229	24	292	Klang Games, Fan Controlled Football
2	BITKRAFT	23	228	12	91	Studio 369, MetaKing Studios, Magicave
3	Andreessen Horowitz	9	875	7	713	Yuga Labs, Improbable Worlds
4	Griffin Gaming Partners	13	224	5	94	N3TWORK, UnCaged, SuperTeam Games
5	Polygon Ventures	18	179	3	9	Turnt Gaming, BovineVerse, Kapital DAO
6	Shima capital	18	150	3	11	Mech, Spellfire, Neo Fantasy
7	FTX Ventures	9	776	2	65	Xterio, MetaMagnet
8	Jump Crypto	12	175	3	49	MetaMagnet, double jump.tokyo, Hike
9	Delphi Digital	9	113	4	74	Fan Controlled Football, Directive Games
10	Huobi	10	127	2	10	Land of Conquest, GameSpace

For both Gaming and Web3 Gaming Investors lists, we prioritize as follows:

- 40%—number of deals;
- 30%—total value of deals;
- 10%—number of lead deals;
- 20%—total value of lead deals.

Since funds do not usually disclose publicly their individual participation in a particular round (even if some occasionally do), we do not take into account the exact cuts. We prioritise the overall number and the sum of the deals while still placing importance on the value and the count of lead deals.

This means that even if we aren't aware of the size of the round, we can still say that the fund plays a significant role in the process of financing. However, we often see that pre-Seed and Seed focused funds usually lead a lot of smaller rounds, which is why lead deals play a lesser role in our overall methodology.

Appendix

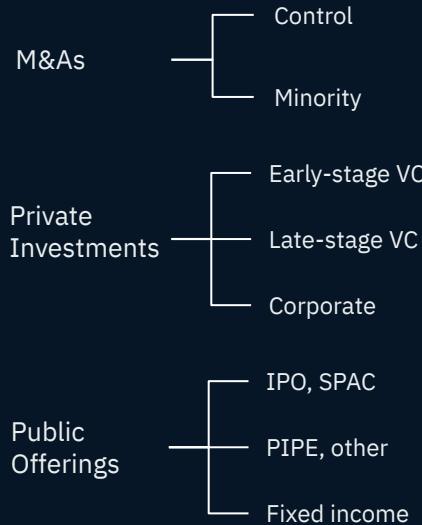
25 Methodology & Glossary

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

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

The information, opinions, estimates, and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate.

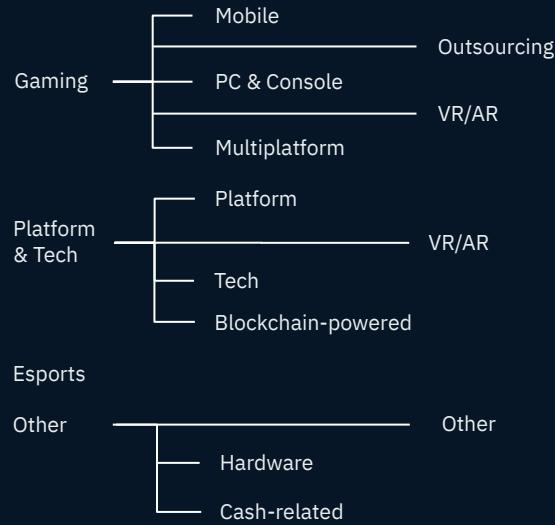
Deal Types Overview



Deal Type Terms Glossary

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

Target's Sector Overview



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28 Endorsements



Kirill Gurskiy, CFA
Head of Games & Entertainment Investments at GEM Capital

Very insightful research which gives comprehensive overview of the state of the gaming investment market. That's definitely a must-read report for any games-focused investment professional or founder raising capital.



Abhimanyu Kumar
Co-founder at Naavik

It's always a pleasure to collaborate with InvestGame on these quarterly reports! With the high quality data they track, it's a great way to quantify and provide context to a side of the gaming industry that should be looked at by the numbers more often.



Benedikt Hüenthal
Investment Team, BITKRAFT

InvestGame's reports are a valuable resource for us as they provide useful information about the state of the gaming industry and related deal activity and thereby help us make better decisions.



Ilya Eremeev
Co-Founder and Managing Partner at the Games Fund

InvestGame is a fantastic source of information and insights on the gaming deals market for the Games Fund. We are big fans of data-driven decisions, and InvestGames is one the biggest contributors to the Video Games industry's transparency and definitely changed it for the better.



Kirill Perevozchikov
CEO of White Label PR

Each time they prepare a new report, InvestGame team gets in touch to verify data with our clients. This speaks volumes about their dedication to providing the most accurate information on the market.



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We would love to thank our dear friends at [Hiro Capital](#) for supporting this Report. *Please note that this support did not in any way affect the integrity or fairness of the data, and the analysis presented.*

We would also like to extend thanks to our friends at [Naavik](#) for covering the Blockchain Gaming part of this report.

And a special thank you to [White Label PR](#) agency for connecting us with top tier media outlets.

Thank you for reading!