

Gaming Industry Report

Q2 2023



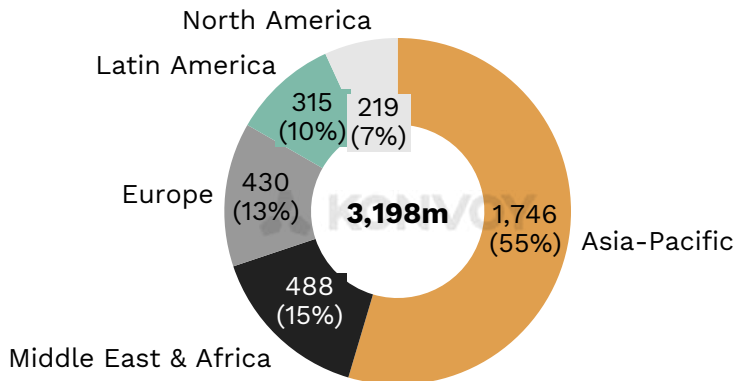
Gaming: at a glance

- **2023 market size:** \$201b (+9% YoY)
- **Public markets:** leading public gaming ETFs up 10-30% YTD
- **Venture funding in Q2'23:** \$472m across 85 rounds (funding is -38% QoQ)

Key Trends

- Apple announces the Vision Pro
- Embracer Group restructuring
- MSFT <> ATVI regulation update: almost there
- A new era for UGC: what's next
- Generative AI and its applications within gaming

Total gamers in 2022 by region:



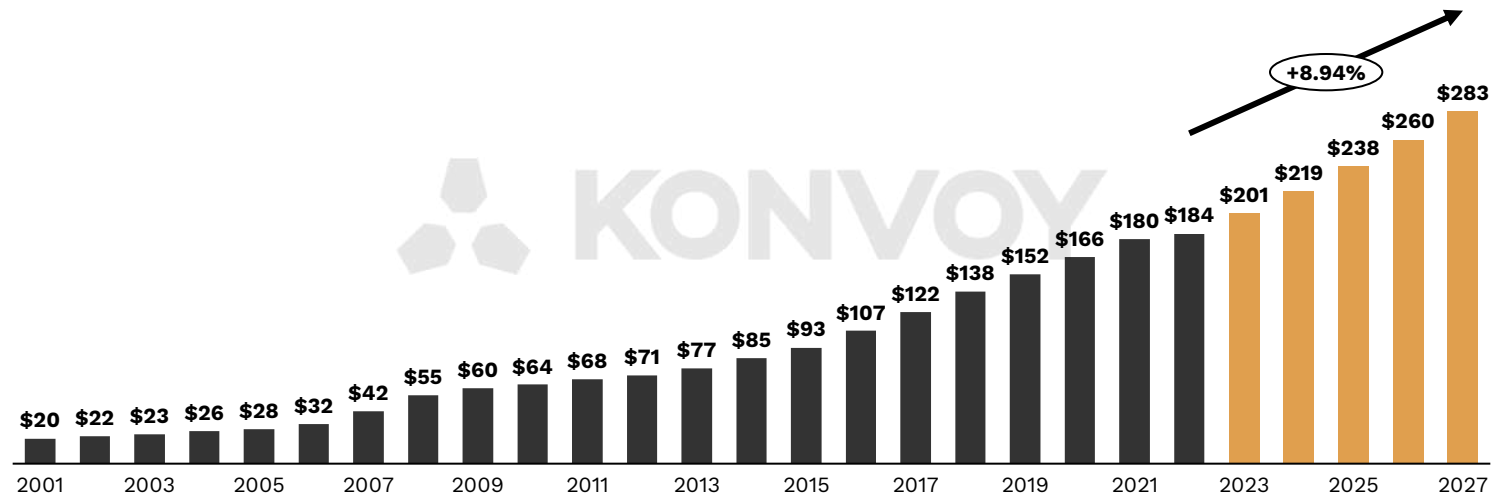
Source: CB Insights, Newzoo, Sony, Microsoft, Nintendo, public reporting, Drake Star



Gaming on track to reach \$201b in 2023

\$ in billions

Actual Projected



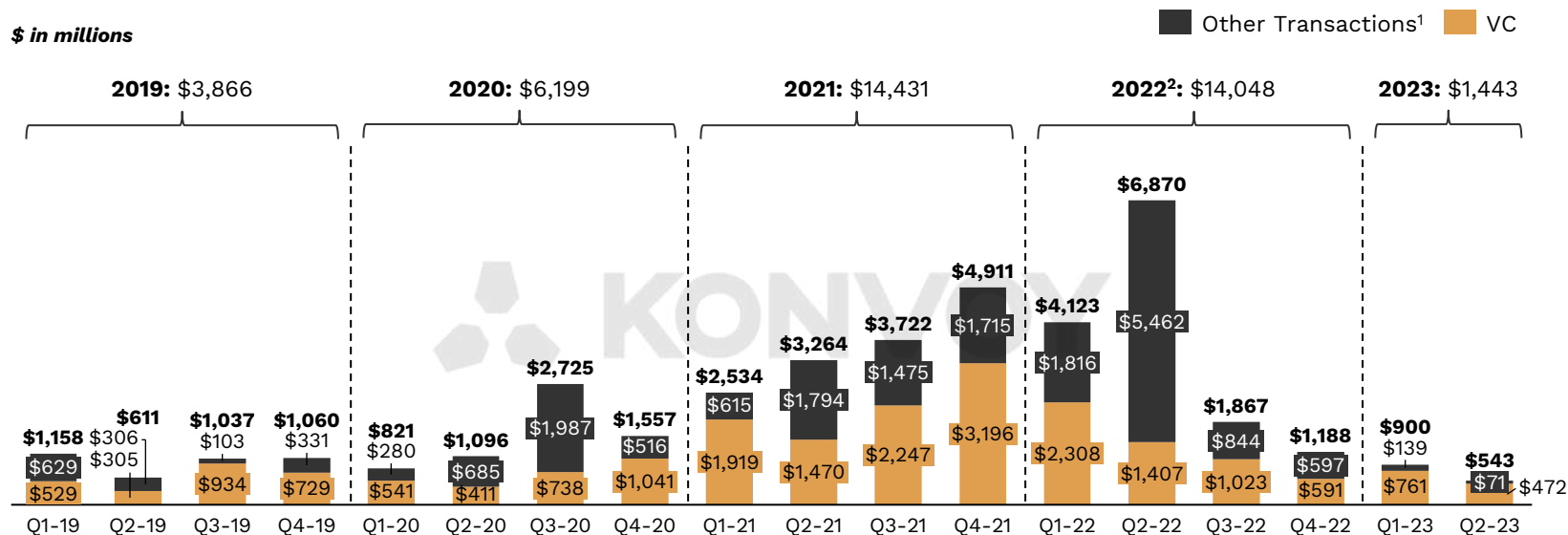
Source: IFPI, Newzoo, Arstechnica, MPAA, Mordor Intelligence



Gaming funding: private markets overview

Note: this excludes M&A including Savvy Games Group's \$4.9b acquisition of Scopely

\$ in millions



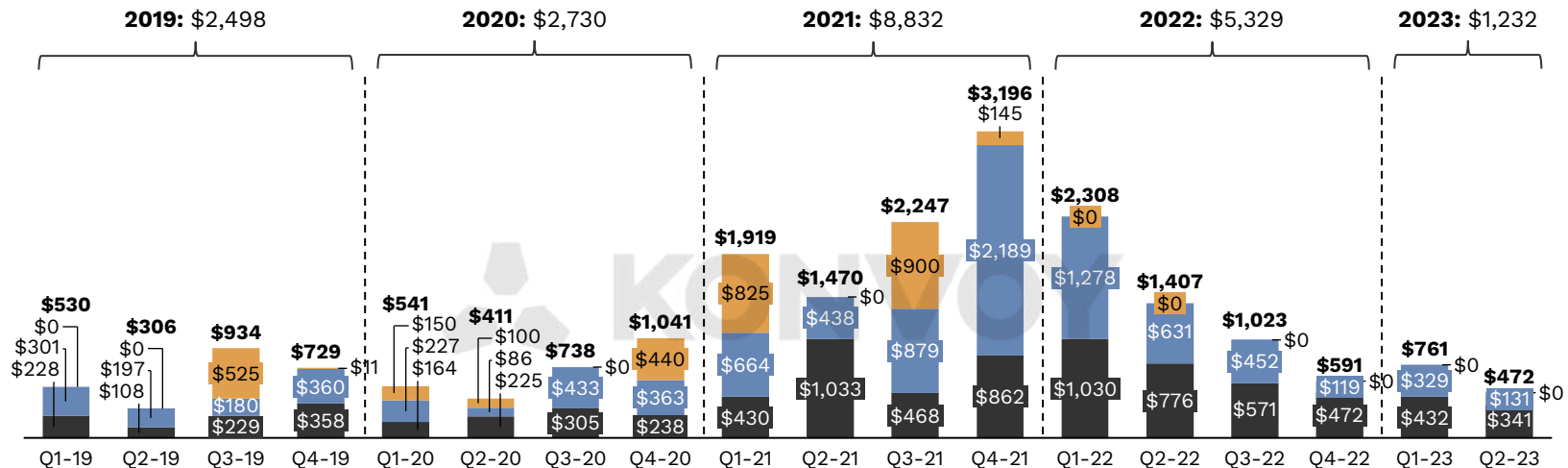
1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: 2022 data includes ~\$4.5b in PIPE activity, primarily from large investments into Playtika, Embracer, Nexon, and NCSOFT; Note 1: VC includes Pre-Seed through Series I VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Gaming VC funding: down \$290m (38%) QoQ, primarily driven by a 60% drop in growth funding

\$ in millions

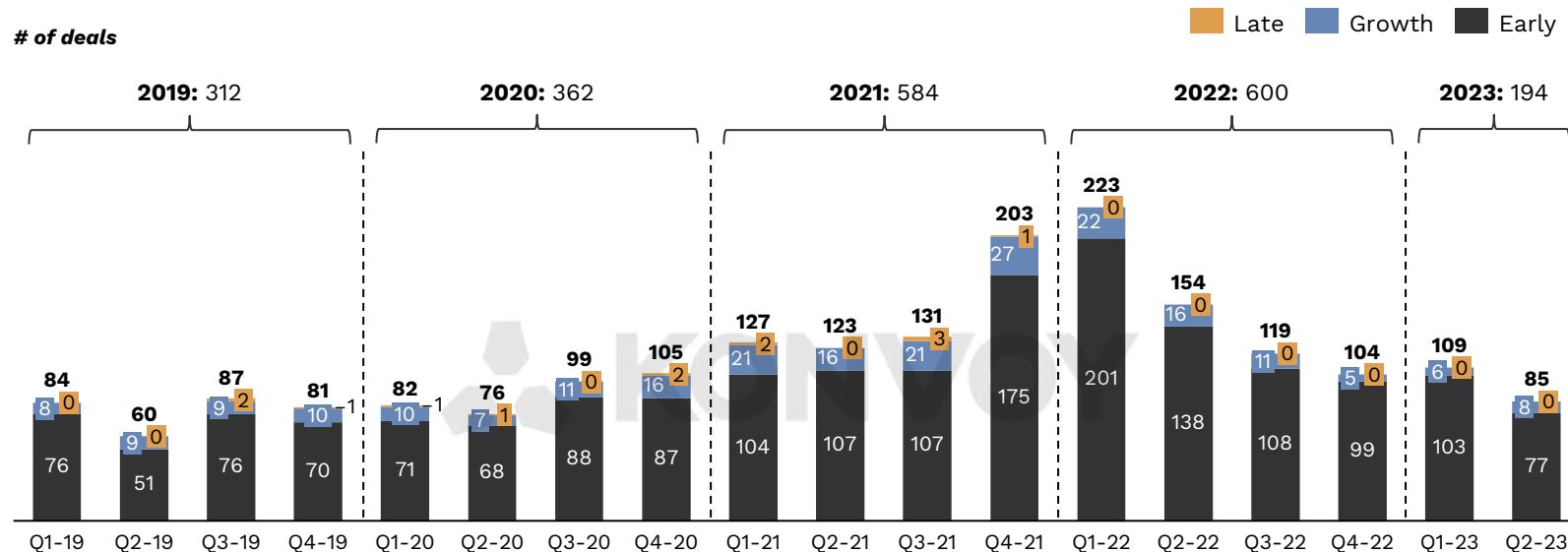
Late Growth Early



Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Note 3: CCP in Q1-23 (\$40m) is classified as a Series B (unattributed publicly); Source: CB Insights



Gaming VC deals: down 22% QoQ

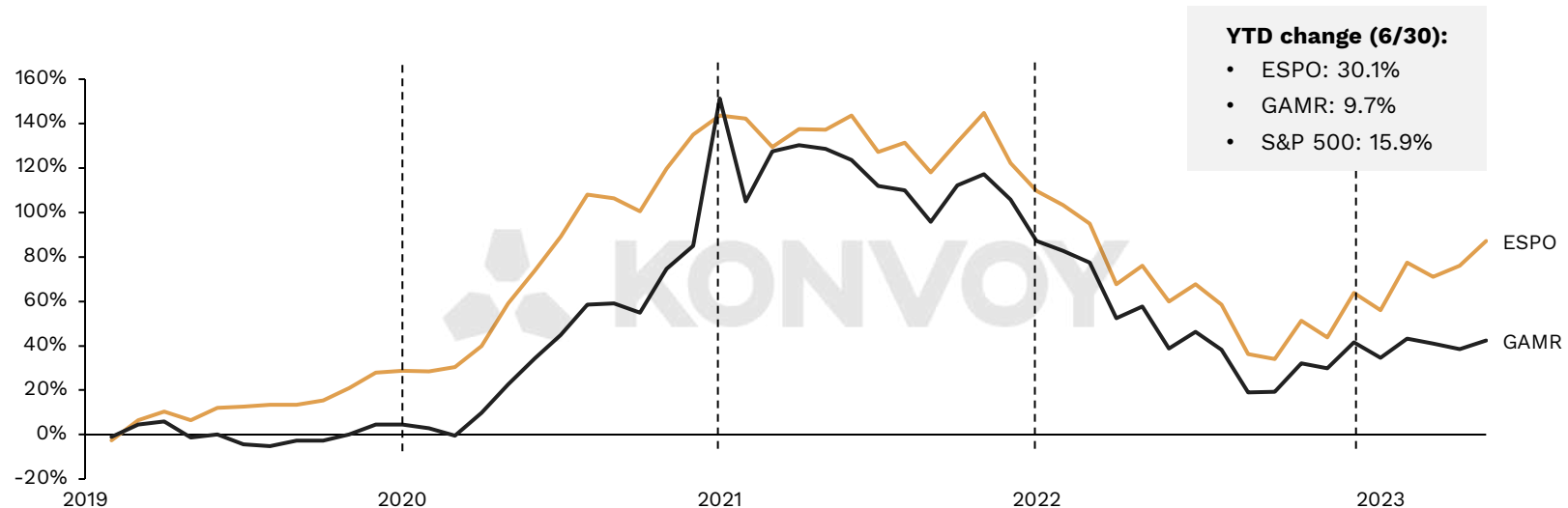


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Gaming in the public markets: top gaming ETFs up 10-30% YTD

Stock performance of Gaming ETFs: ESPO & GAMR, % change from January 2019










Source: Public reporting as of July 5, 2023; Note: ESPO seeks to track the MVIS Global Video Gaming and eSports Index (MVESPOTR), GAMR seeks to track EEFund Video Game Tech Index









Public gaming companies hold \$45b in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
 ACTIVISION	\$9.2b
 Nintendo	\$8.8b
 sea	\$6.1b
 Electronic Arts	\$2.4b
 NEXON	\$2.0b
 BANDAI NAMCO	\$1.9b
 NETEASE www.163.com	\$1.9b
Others¹	\$12.3b
Total	\$44.7b

Tech companies with Gaming divisions









Company	Cash & equivalents ² (USD)
 amazon	\$49.3b
 Microsoft	\$26.6
 Google	\$25.9b
 Apple	\$24.7b
 Tencent 腾讯	\$21.1b
 Meta	\$11.6b
SONY	\$10.3b
NETFLIX	\$6.7b
Total	\$176.2b

1: Ubisoft, Unity, Konami, Square Enix, Applovin, Sega, Roblox, TTWO, Playtika, Krafton, Embracer, NCSoft; 2: Does not include short-term investments; Source: Latest public reporting (as of July 5, 2023)



Q2 2023: Largest gaming tech & platform VC deals

Gaming Tech & Platform investments – Q2 2023

	Company name	Stage	Raise, \$m	Region
	Everdome	Seed	\$50.0	Asia
	Anzu	Series B	\$48.0	Asia
	Mythical Games	Series C	\$37.0	North America
	Nodwin Gaming	Series B	\$28.0	Asia
	Madngine	Series A	\$22.7	Asia
	HyperPlay	Series A	\$12.0	North America
	Triumph Labs	Series A	\$10.2	North America
	Cheelee	Seed	\$10.0	Asia
	Game Cloud Network	Seed	\$10.0	North America
	MetaGravity	Seed	\$9.5	Europe

Comments:







- Half of the top 10 Tech & Platform deals were into companies in Asia
- Only 1 of the top 10 Tech & Platform deals was done in Europe
- The top 10 Tech & Platform funding totaled \$237.4m this quarter (2x greater than the top 10 content investments this quarter)
- The largest platform investment this quarter, Everdome, received 150% more funding than the largest Content investment

Source: CB Insights



Q2 2023: Largest game content VC deals

Game Content investments – Q2 2023

	Company name	Stage	Raise, \$m	Region
	Goals	Series A	\$20.0	Europe
	Drest	Seed	\$19.1	Europe
	Gardens Interactive	Series A	\$12.3	North America
	Things	Seed	\$10.0	North America
	Argus Labs	Seed	\$10.0	North America
	Rich Alien	Seed	\$8.6	Asia
	BigBrain	Series A	\$8.5	North America
	Million Victories	Series A	\$6.5	Europe
	Pixion Games	Seed	\$5.5	Europe
	Grand-Attic	Seed	\$5.3	Europe

Comments:

- 9 out of the top 10 Content deals were from North America or Europe
- There was no growth or late-stage content deal (Series B+) done in Q2 2023
- Only 3 of the top 10 studios funded this month are publicly building blockchain games - Goals, Argus Labs, and Pixion Games
- 6 out of the top 10 Content investments done were Seed stage deals

Source: CB Insights

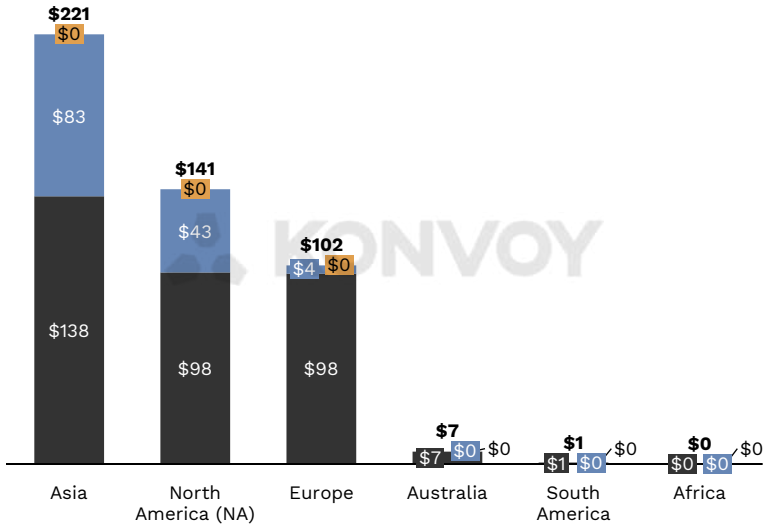


Regional Breakdown

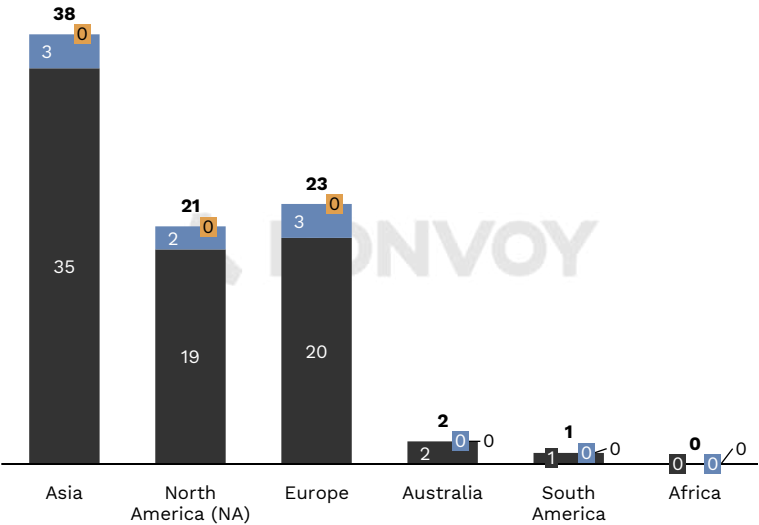


Gaming deals globally: at a glance

Gaming venture funding in Q2 2023, \$m



Number of gaming venture deals in Q2 2023

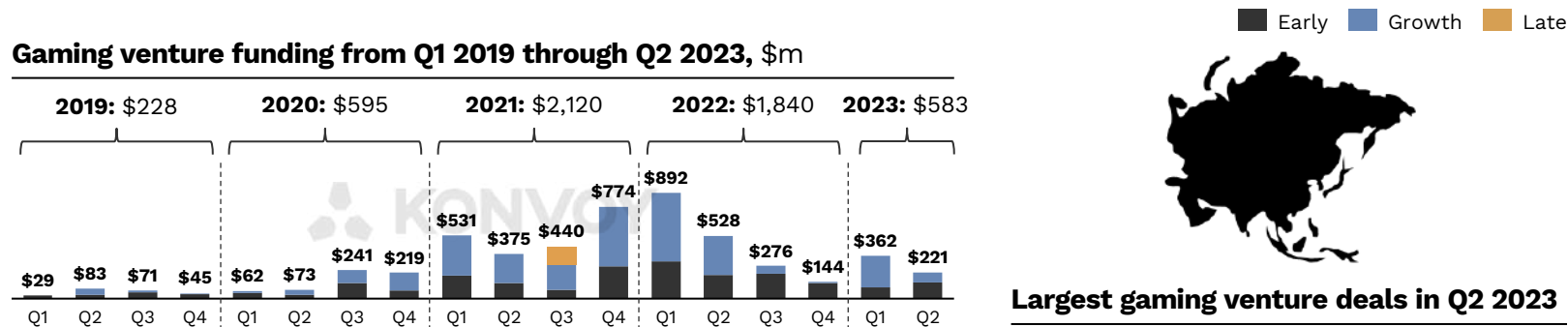


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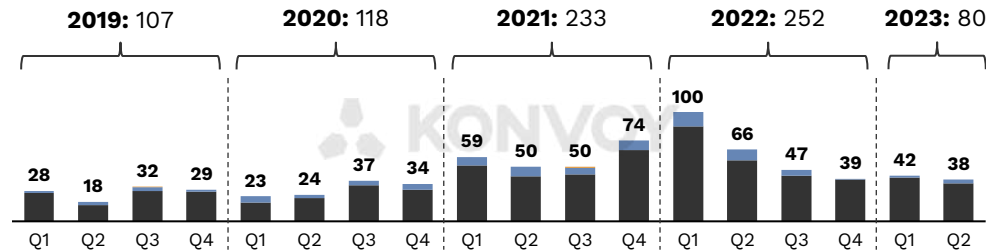


Asia: most active region in Q2, driven by growth funding

Gaming venture funding from Q1 2019 through Q2 2023, \$m



Number of gaming venture deals from Q1 2019 through Q2 2023



Largest gaming venture deals in Q2 2023

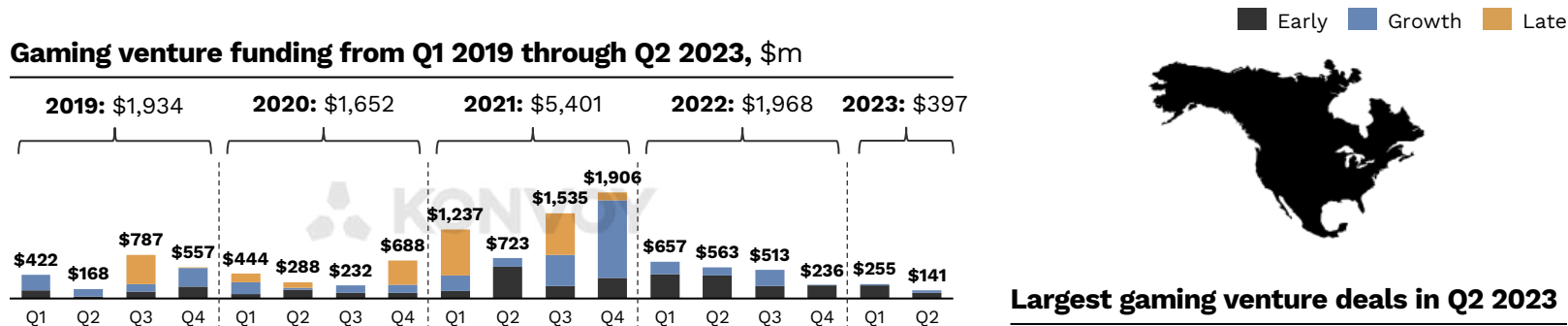
Company	Date	Deal size
Everdome	Apr-23	\$50.0m
Anzu	Jun-23	\$48.0m
Nodwin Gaming	May-23	\$28.0m
Madngine	May-23	\$22.7m
Cheelee	Jun-23	\$10.0m
Rich Alien	May-23	\$8.6m

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

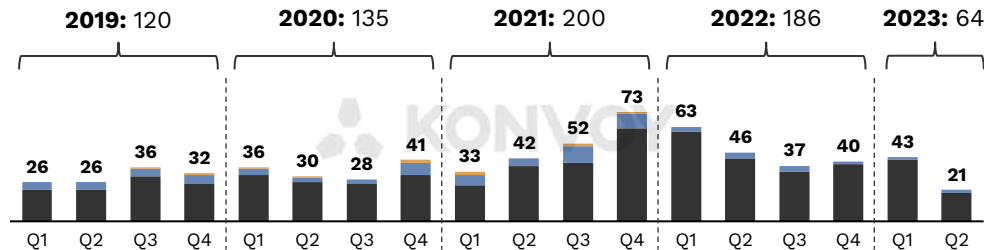


NA: Early-stage funding down ~60% QoQ

Gaming venture funding from Q1 2019 through Q2 2023, \$m



Number of gaming venture deals from Q1 2019 through Q2 2023



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

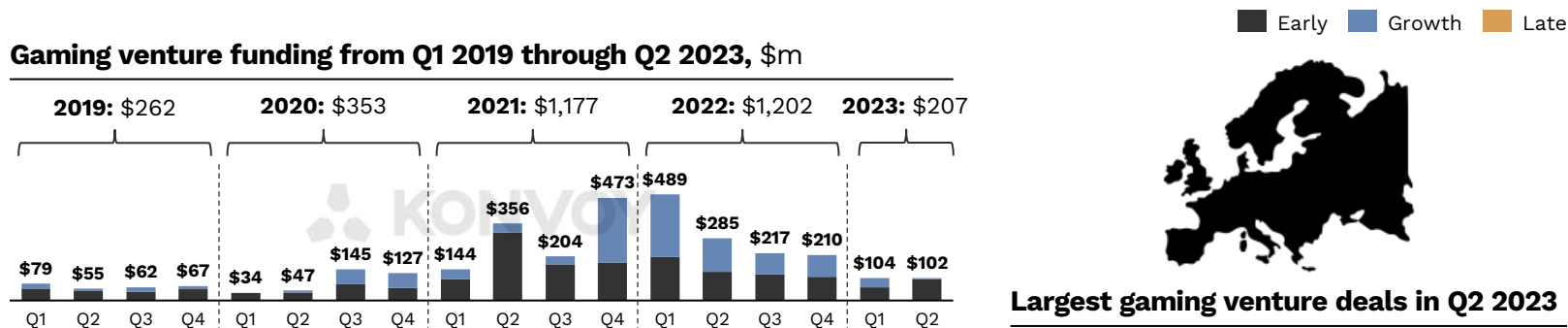
Largest gaming venture deals in Q2 2023

Company	Date	Deal size
Mythical Games	Jun-23	\$37.0m
Gardens Interactive	May-23	\$12.3m
HyperPlay	Jun-23	\$12.0m
Triumph Labs	May-23	\$10.2m
Things	May-23	\$10.0m
Argus Labs	Jun-23	\$10.0m
Game Cloud Network	Jun-23	\$10.0m



Europe: Almost flat VC funding QoQ

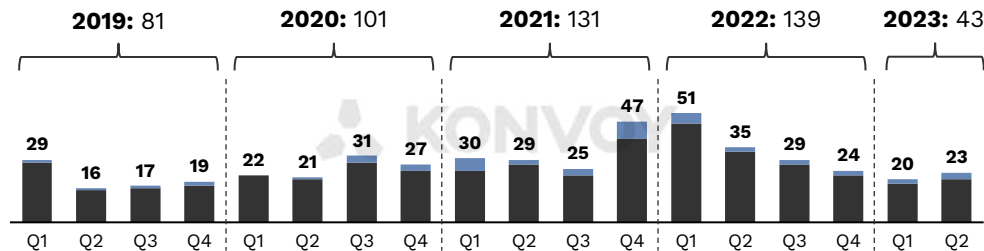
Gaming venture funding from Q1 2019 through Q2 2023, \$m



Largest gaming venture deals in Q2 2023

Company	Date	Deal size
Goals	Apr-23	\$20.0m
Drest	Jun-23	\$19.1m
MetaGravity	Apr-23	\$9.5m
Million Victories	Jun-23	\$6.5m
Pixion Games	Jun-23	\$5.5m
Grand-Attic	Apr-23	\$5.3m

Number of gaming venture deals from Q1 2019 through Q2 2023

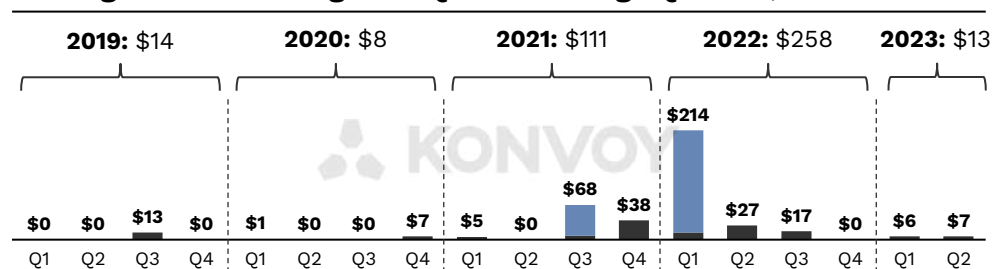


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Australia: both deals done in Q2 are platforms

Gaming venture funding from Q1 2019 through Q2 2023, \$m



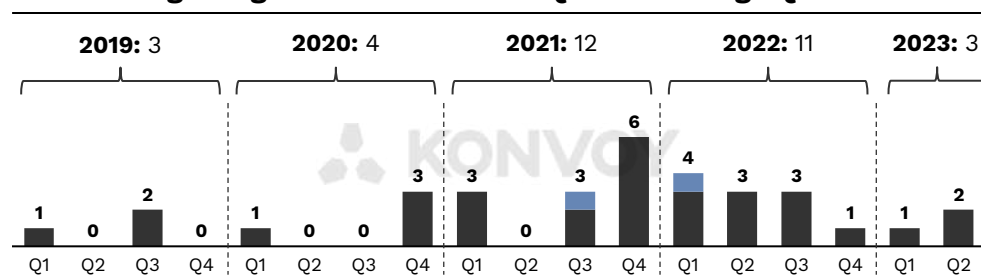
Early Growth Late



Largest gaming venture deals in Q2 2023

Company	Date	Deal size
Battle Infinity	May-23	\$3.5m
One Future Football	Jun-23	\$3.0m

Number of gaming venture deals from Q1 2019 through Q2 2023

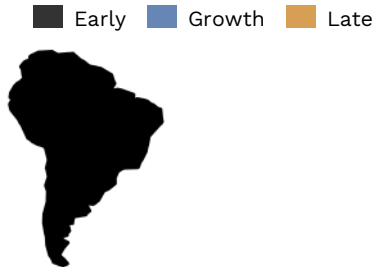
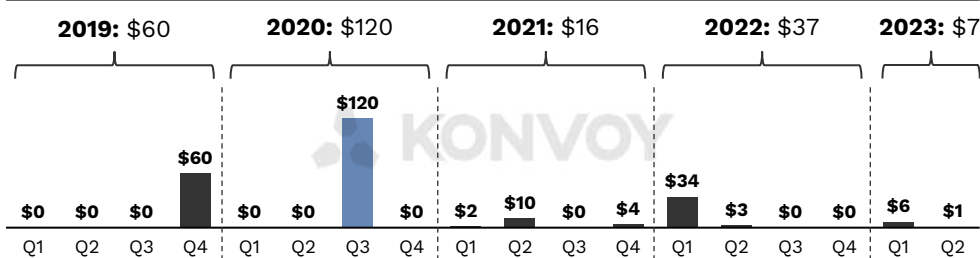


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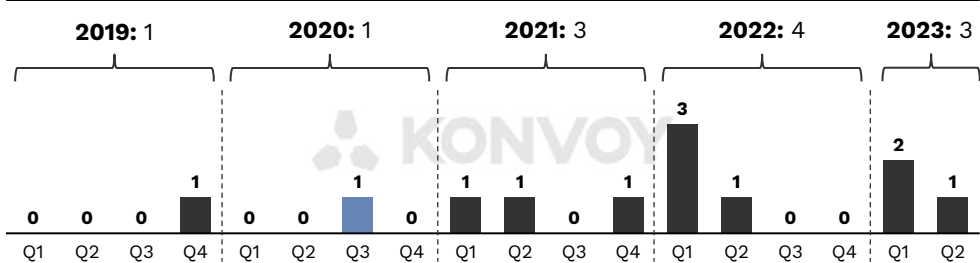


South America: Brazil continues to drive gaming VC activity – 11 out of the 12 deals done since 2019

Gaming venture funding from Q1 2019 through Q2 2023, \$m



Number of gaming venture deals from Q1 2019 through Q2 2023



Largest gaming venture deals in Q2 2023

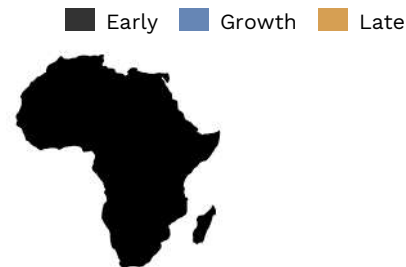
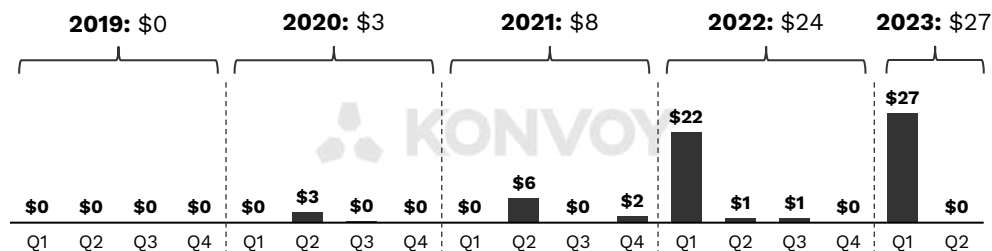
Company	Date	Deal size
Boardible	Jun-23	\$0.6m

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



Africa: No gaming deals done in Q2 2023

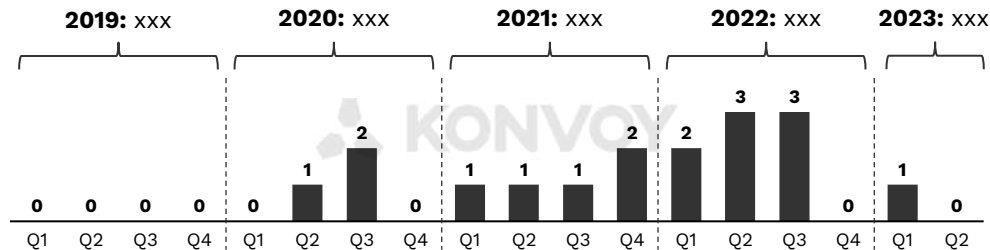
Gaming venture funding from Q1 2019 through Q2 2023, \$m



Largest gaming venture deals in Q2 2023

Company	Date	Deal size
N/A	N/A	N/A

Number of gaming venture deals from Q1 2019 through Q2 2023



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



- 1 Apple announces the Vision Pro
- 2 Embracer Group restructuring
- 3 MSFT <> ATVI regulation update: almost there
- 4 A new era for UGC: what's next
- 5 Gen AI and its applications within gaming



1 Apple announces the Vision Pro

“Today marks the beginning of a new era for computing” - Tim Cook



- **Infinite Canvas:** 3D interface, infinite screen real estate, access to popular applications, portable 4K display
- **Entertainment:** spatial audio system, can transform space into a personal movie theater, 180-degree high-resolution recordings, 100 Apple Arcade games, game controller support
- **Memories:** capture, relive, and immerse yourself in favorite memories
- **Spatial FaceTime:** FaceTime will now take advantage of the entire room
- **EyeSight:** helps users stay connected with those around them
- **Spectrum of Immersion:** Windows, Volumes, and Spaces

Source: Apple

- After years of rumors, Apple officially announced their latest expansion into the augmented reality and spatial computing industry with its Vision Pro headset
- Deemed a “spatial computer that seamlessly blends digital content with the physical world”
- The headset will run on a new operating system, VisionOS which was built to support the low latency of requirements of spatial computing
- Built with an entirely new input system controlled entirely by the user’s eyes, hands and voice



2 Embracer Group restructuring

Leading M&A giant shifting focus on first-party IP, long-term efficiency

- The Embracer Group has been known for its heavy investment and acquisition strategy – the company has spent more than \$10b on >80 acquisitions since its IPO in 2016 and spent ~\$1b on game development projects
- The group currently has ~17,000 employees across 138 internal studios, 40 countries, and 12 operative groups
- In June, CEO Lars Wingefors announced that the group will be heavily restructuring to weather market conditions
- This is coming just months after the group announced a failed partnership that would have included >\$2b in contracted revenue



The restructure which will be led by Matthew Karch (COO) and Phil Rogers (CSO) and has 4 primary focuses:

- 1 Close / divest some studios and freeze / shut down some games currently in development
- 2 Focus on internal studios and reduce 3P publishing; 1P games with large budget will receive more investment from external sources
- 3 Revise investment review process for current and potential new titles
- 4 Cut non-developmental costs, including headcount

The restructuring is expected to be complete by Oct 2023

Source: Embracer Group, Game World Observer, Seeking Alpha



3 MSFT <> ATVI regulation update: almost there

UK's Competition and Markets Authority (CMA)

- **Blocked the acquisition on 4/26/23** citing cloud concerns
- Noted that the acquisition risked “stifling competition in this growing market (cloud gaming)”
- Microsoft appealed the decision

"We have already signed contracts to make Activision Blizzard's popular games available on 150m more devices, and we remain committed to reinforcing these agreements through regulatory remedies. We're especially disappointed that after lengthy deliberations, this decision appears to reflect a flawed understanding of this market and the way the relevant cloud technology actually works."

- Brad Smith, Microsoft President

EU's European Commission (EC)

- **Approved the acquisition on 5/15/23** after securing agreements to lessen the potential impact on the emerging cloud gaming market (the primary concern for UK's CMA)
- This includes a free license for EU gamers to stream any ATVI game via any cloud gaming service, and a free license for cloud gaming services in the region to host said games on their platform
- The EC also decided to drop concerns around the harm to rival console makers and subscription services as MSFT is unlikely to pull AB games (e.g., Call of Duty) from rival consoles as profits would suffer

US's Federal Trade Commission (FTC)

- **Requested to pause the merger on 6/12/23 which was granted by a CA federal court on 6/13**
- There was a hearing to determine if a preliminary injunction on the deal should be granted between 6/22-6/30
- The FTC's primary concern is the effect of CoD on the competitive market, console exclusivity, and the impact on the nascent cloud gaming field. A decision is expected in the coming weeks
- If the injunction is granted, Microsoft has said they may consider abandoning the deal which they described as being a “three-year administrative nightmare

Source: Competition and Markets Authority, European Commission, Federal Trade Commission, Microsoft, Activision Blizzard



4 A new era for UGC: what's next

The most popular UGC platforms will emerge from existing IP

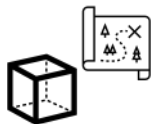


- UGC trends are dramatically changing
- Winning with tools will not work anymore - Roblox can no longer be the north star as it had the benefit of timing and market dynamics that aren't present today
- The most popular UGC platforms will spawn from popular IP (Fortnite, Minecraft, GTA V, etc)
- UGC strategies are becoming more common for game studios
- Simultaneously, a tools-first approach will immediately hit a chicken-and-egg problem (Players: no content to play, Creators: no players to build for)
- **UGC will open up completely new opportunities to generate income for creators and players**



5 Gen AI and its applications within gaming

Applications within gaming



**Asset/map
creation**



NPCs



Labeling



**Emergent
gameplay**

- **What's the unlock?:** Open-sourced tools (Stable Diffusion, GPT-4, PaLM 2, Dreambooth, etc) are giving founders access to innovative technologies
- Content creation is at the forefront of these visions, making it more efficient to create and making tools more accessible
- Value will accrue to creators (time efficient, lower learning curve), and model owners

Source: Techcrunch



Top gaming industry conferences / events

2023 events schedule

Event	Location	Dates	Category
Pocket Gamer Connects*	Multiple	Multiple	Gaming
Design, Innovate, Communicate, Entertain (DICE) Summit*	Las Vegas, NV	February 21-23, 2023	Gaming
South by Southwest (SXSW)*	Austin, TX	March 10-19, 2023	Gaming, Media, Technology
Game Developers Conference (GDC)*	San Francisco, CA	March 20-24, 2023	Gaming
NFT.NYC	New York, NY	April 12-14, 2023	Blockchain, Gaming
Augmented World Expo (AWE)*	Santa Clara, CA	May 31 – June 2, 2023	Gaming, Technology
Electronic Entertainment Expo (E3)	Los Angeles, CA	June 13-16, 2023 (Cancelled)	Gaming
Gamescom*	Cologne, Germany	August 23-27, 2023	Gaming
Tokyo Game Show	Tokyo, Japan	September 21-24, 2023	Gaming
Brazil Game Show	São Paulo, Brazil	October 2023 (TBA)	Gaming, Media
Slush*	Helsinki, Finland	November 30 - December 1, 2023	Gaming, Technology

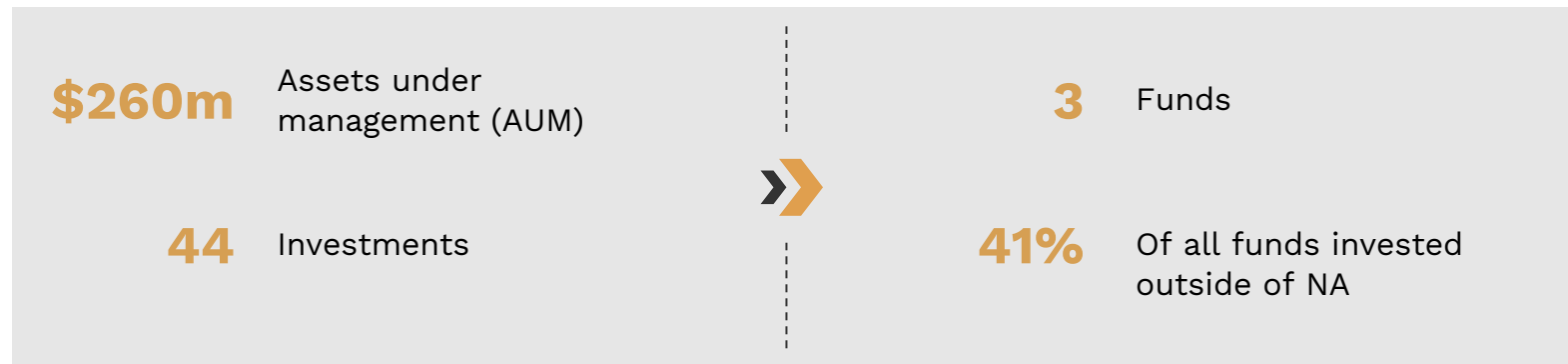
* denotes events our team at Konvoy plans to attend



Konvoy: Summary + Team



Konvoy: by the numbers



Our top newsletters published in Q2 2023:

1. [PWAs Will Shape the Future](#)
2. [OTT: Gaming's Next Unlock](#)
3. [Gen Z](#)
4. [Achievement Unlocked: Grandmaster](#)
5. [Milestone-Based Financing](#)



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

Investment Stage

Pre-Seed, Seed,
Series A

Check Size

\$1m - \$5m

Fund III

\$150m



Founders and Managing Partners



Josh Chapman



Jason Chapman



Jackson Vaughan



Taylor Hurst
Principal



Dani Tran
Senior Associate



Dhinuka Perera
Head of Platform

[Link to our socials here](#)

