

Q1-Q3 2020

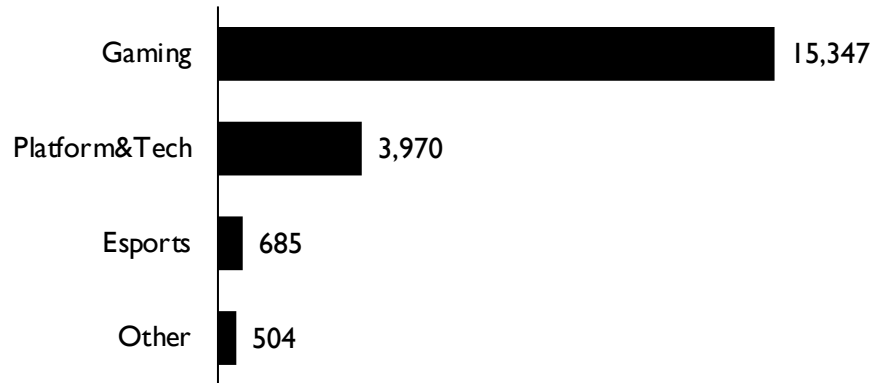
Recap of the investment activity in the Video Game market in 2020



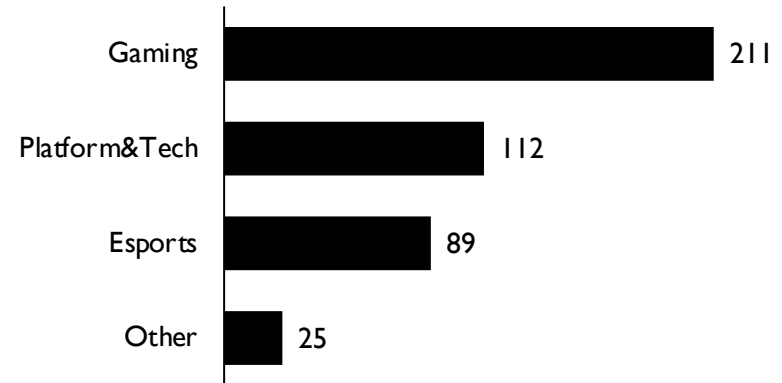
Covering Multiple Sectors & Segments

- Gaming – game development and publishing (mobile, PC&console, multiplatform)
- Platform&Tech – platforms and tech-companies targeting gaming market
- Esports – esports organizations, leagues, fantasy sport
- Other – outsourcing, hardware, retail chains

Total value of tracked deals* (Q1-Q3), \$m



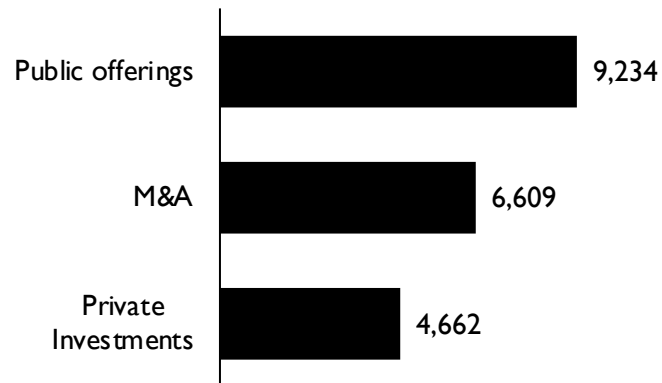
Total number of tracked deals* (Q1-Q3)



Covering Various Deal Types

- Private Investments – Early and later stage venture deals, corporate investments
- M&A – Mergers and acquisitions, including controlling and minority transactions
- Public offerings – IPOs, PIPEs, Fixed Income, other deals with publicly traded stocks

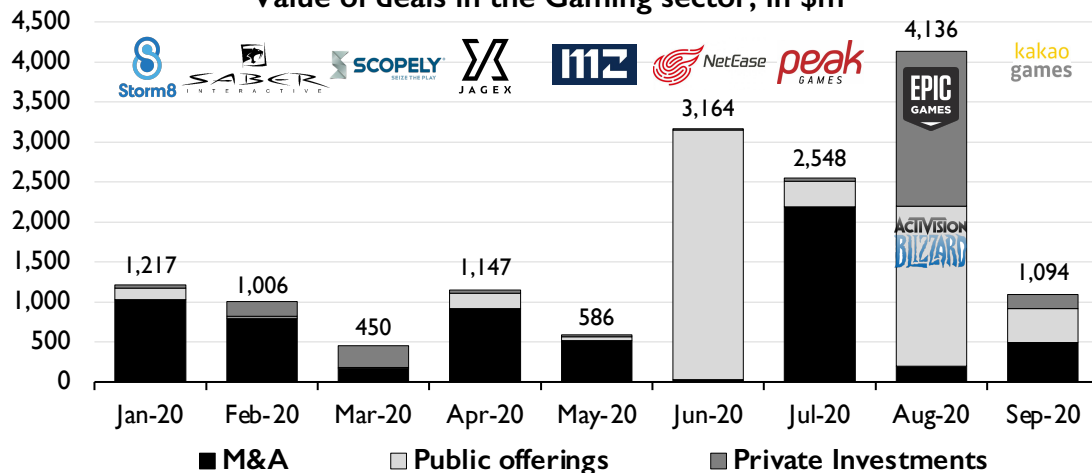
Total value of tracked deals* (Q1-Q3), \$m



Total number of tracked deals* (Q1-Q3)

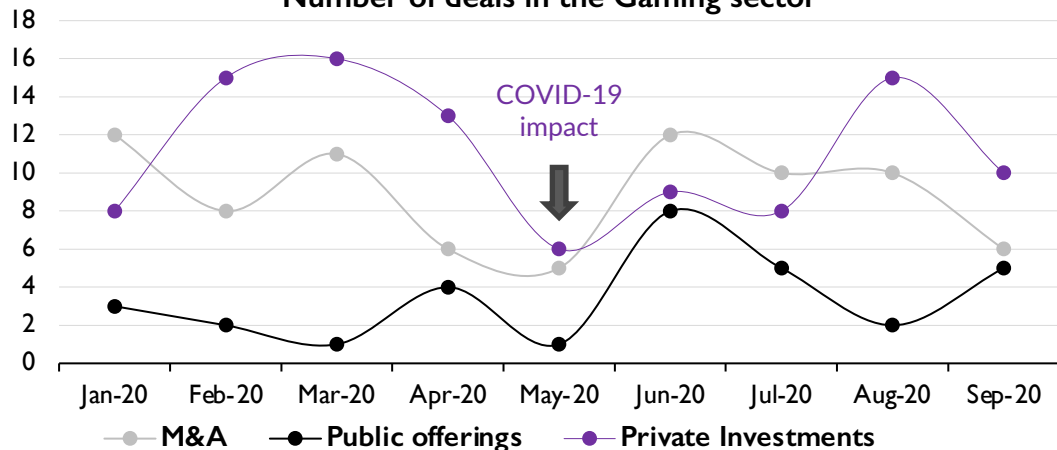


Value of deals in the Gaming sector, in \$m



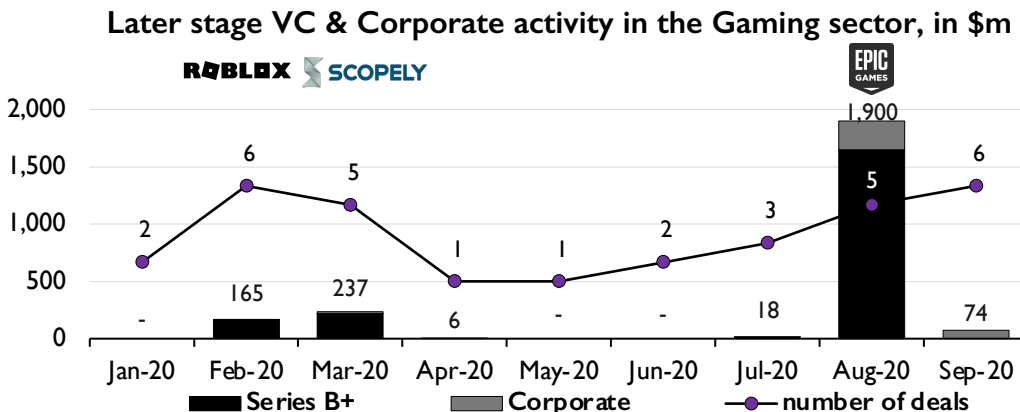
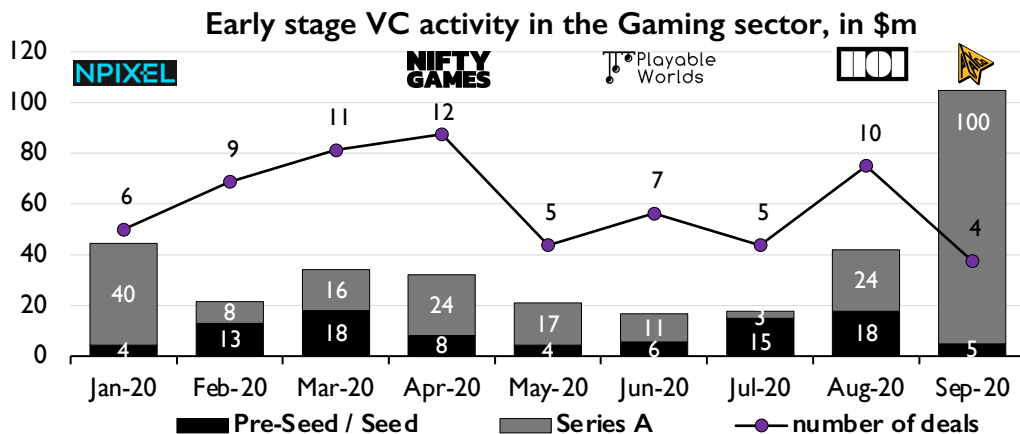
Gaming

Number of deals in the Gaming sector



Gaming – Private Investments

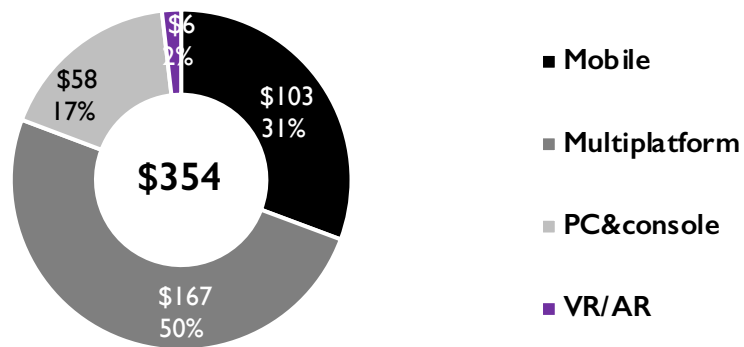
- Private investment activity has significantly dropped in the wake of COVID-19 outbreak in May 2020, but started gradually recovering afterward, both in terms of the number of deals and in terms of the combined value
- While early stage VC activity remained at the level of 5-7 deals per month even after the breakout, the later stage VC & corporate activity fell to 1-2 deals per month up until July
- During Q1-Q3 2020 game developers and publishers have brought around \$2.7B capital into the gaming market with 100 transactions closed
 - 69 closed pre-seed, seed, and Series A rounds
 - 9 closed Series B+ rounds and 22 corporate investments
- While American companies take a dominant position in the investment activity (90%+ of value) at the later stage VC and corporate rounds, only 30% of early stage VC funds have been raised by U.S. startups
- Three transactions accounting for 78% of total capital injection
 - CA-based mobile game publisher Scopely raising \$200m at \$1.7B valuation with market rumors about raising additional funds later this year at \$3B valuation
 - CA-based cross-platform game developer Roblox raising \$150m in Series G funding round at \$4B valuation, and considering IPO earlier next year at \$8B valuation
 - American game developer, publisher, and distributor Epic Games raising \$1.78B at \$17.3B valuation with lead investors being Sony, KKR, and Smash Ventures



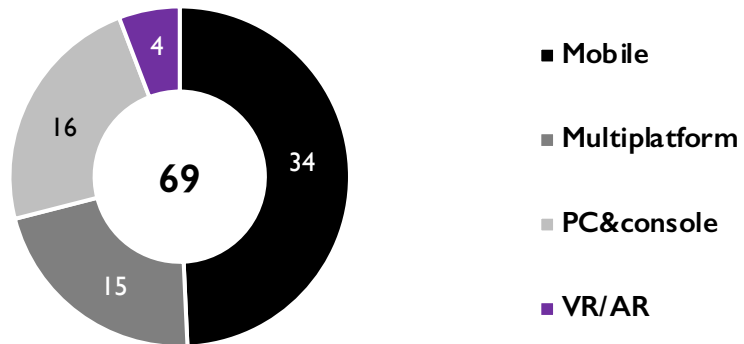
Gaming – Early Stage VC

- Breaking down early stage VC deals by segments, the most active one in terms of number of deals would be Mobile with 34 announced deals and \$103m raised
 - The most notable deal in the mobile space is a \$12m Series A round raised by U.S.-based mobile sports games publisher Nifty Games with March Capital Partners being the lead investor on the deal
 - Mobile remains a very unconcentrated segment with average checks varying from \$3m (Seed) to \$6m (Series A) for the round
- The major part of early stage VC funds (50% of value) devoted to multiplatform game developers with several strong outliers:
 - Instant games developer Playco raising \$100m at \$1B valuation in Series A round led by Sequoia Capital and Josh Buckley
 - Pan-Nordic cloud-native gaming studio Mainframe raising a \$8.1m Series A round led by Andreessen Horowitz (a16z) with support from Riot Games
 - Cloud-based MMO sandbox developer Playable Worlds secured \$10m in Series A funding, led by Galaxy Interactive via its Galaxy EOS VC Fund
- PC&console segment can boast two deals
 - Russian video game production company 110 Industries raising \$20m from Norma, GEM Capital, and Sergey Kornykhin
 - ArtCraft Entertainment raised \$11.7m from unnamed investors, to finish and launch its MMO game Crowfall

Early stage VC investments by segment, in \$m

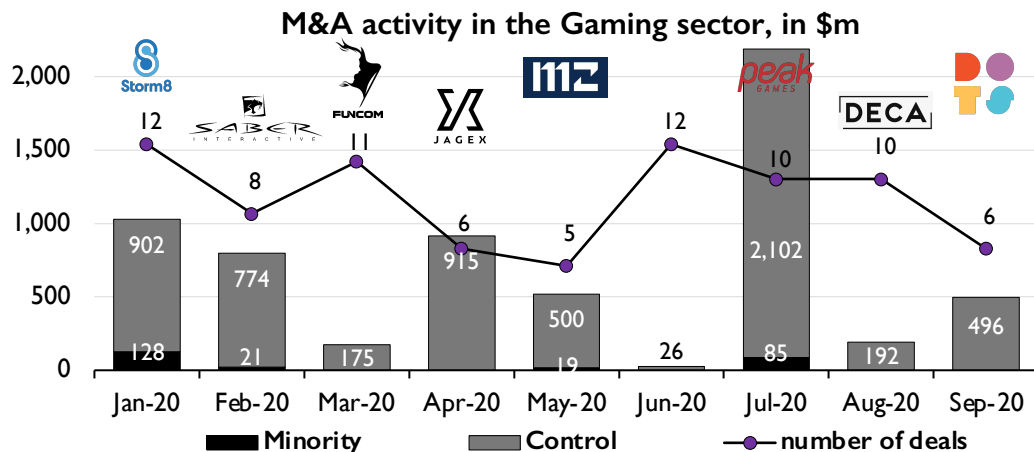


Early stage VC investments by segment, in numbers



Gaming – Mergers & Acquisitions

- M&A activity is strong this year staying largely unaffected by the macroeconomic situation, with the two largest deals announced this year being Peak Games acquired by Zynga for \$2B and ZeniMax in the process of being bought by Microsoft for \$7.5B cash (the 2nd largest deal in the gaming history)
- Focus here is on Mobile acquisitions: 41 deals completed over the course of 9 months with a combined value of \$4.6B. The PC&console segment comprises \$10.5B, but obviously, the majority of that comes from the Microsoft (ZeniMax) and Tencent (Leyou Technologies)
- The most active buyer here is the usual suspect Tencent (including its subsidiaries), while Swedish publicly traded Embracer Group and Stillfront Group continuing to consolidate the market, with Zynga joining the game



Notable M&A Transactions

Date	Target	Buyer	Deal size, \$m	Platform
Jan-20	Ilyon Dynamics	Miniclip (Tencent)	100	Mobile
Jan-20	Storm8	Stillfront Group	400	Mobile
Jan-20	FoxNext Games	Scopely	250	Mobile
Jan-20	Phoenix Labs	Sea (Garena)	150	PC&console
Jan-20	Kolibri Games	Ubisoft	147	Mobile
Feb-20	XL Games	Kakao Games	100	PC&mobile
Feb-20	Saber Interactive	Embracer Group	525	PC&console
Mar-20	Funcom	Tencent	114	PC&console
Apr-20	Changyou.com	Sohu	190	Mobile
Apr-20	Candywriter	Stillfront Group	195	Mobile
Apr-20	Jagex	MacArthur Fortune	530	PC&console
May-20	Machine Zone	AppLovin	500	Mobile
Jul-20	Peak Games	Zynga	2,083	Mobile
Aug-20	DECA	Embracer Group	100	Mobile
Aug-20	4A Games	Embracer Group	80	PC&console
Sep-20	PlayDots	Take2	192	Mobile
Sep-20	Vertigo Games	Embracer Group	136	VR games
Sep-20	Nanobit	Stillfront Group	148	Mobile
20-Oct	Rollic Games	Zynga	213	Mobile
signing	ZeniMax	Microsoft	7,500	PC&console
signing	Leyou Technolog	Tencent	1,400	PC&console

\$4,639

Mobile
(41 deals, 1 Oct)

\$10,467

PC&console
(27 deals, 2 signing)

\$344

Multi and VR/AR
(12 deals)

Note: deal size includes earn-out consideration

Gaming – Public Offering

- In the meanwhile, Public market activity has almost stopped during January-May 2020, with just two PIPE deals done by Stillfront and Embracer, both raising to perform M&As
- Market started recovering in June, with multiple companies raising money for future M&As, as well as with IPOs of Asian gaming companies Archosaur Games (\$280m) and Kakao Games (\$330m)
- Activision Blizzard has raised \$2B of senior unsecured notes (in two series) to fund the redemption of its outstanding unsecured notes due 2021-2022
- With recent trading multiples increase several gaming companies announced plans to go for IPO either this or beginning next year (pictured below)

Companies considering IPO

ROBLOX **APPLOVIN**

tiny Build

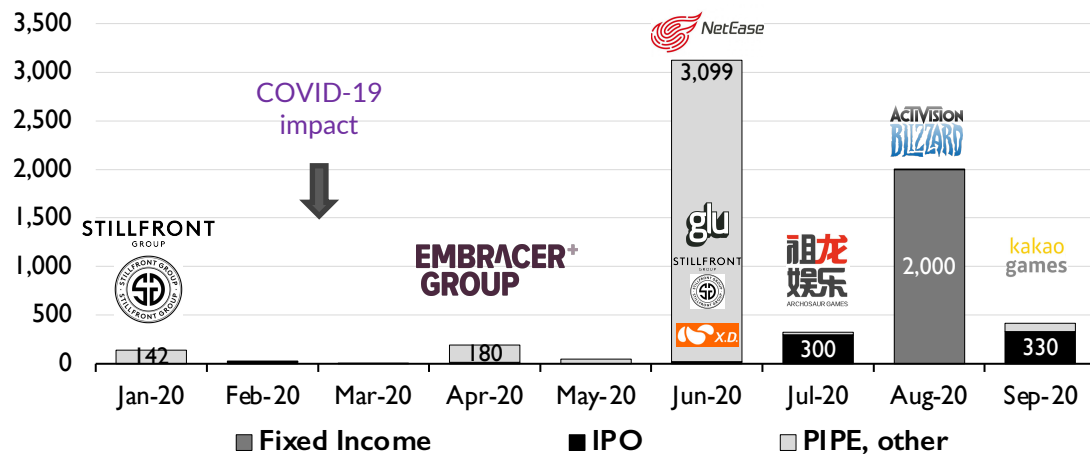
HUUUGE

KRAFTON
GAME UNION

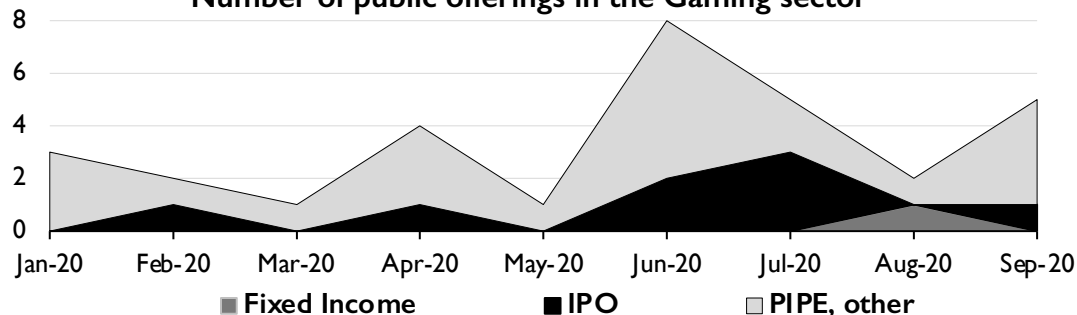
Playtika

PEOPLE CAN FLY

Value of public offerings in the Gaming sector, in \$m



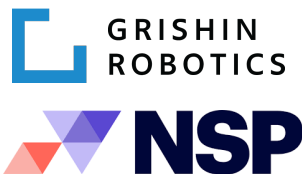
Number of public offerings in the Gaming sector



Most Active VC Funds

- In terms of the deal activity, the most active players on this market are currently Play Ventures, Galaxy EOS VC, BITKRAFT Ventures, Sisu Game Ventures, and Makers Fund all together accounting for 54 deals
- KKR led only 2 gaming deals so far this year, but both of them being huge, backing Epic Games in \$1,530m round (excluding Sony investments) and Zwift (California-based online fitness gaming platform) with \$450m
- Andreessen Horowitz (a16z) led 6 deals in Q1-Q3 with backing Roblox in a Series G funding round of \$150m
- Several more VC funds raised funds to make their way into gaming, including Grishin Robotics (\$100m), Transcend Fund (\$50m), N3twork (\$50m), March Gaming (\$60m), and VGames (\$30m)

Fundraising activity



Rank	VC Investor	# of total deals	Total deals value, \$m	# of leading deals	Leading deals value, \$m	Type
1	Makers Fund	9	180	8	80	Early stage
2	Galaxy EOS VC	11	92	8	77	Early stage
3	BITKRAFT Ventures	10	73	8	53	Early stage
4	Play Ventures	14	35	8	8	Early stage
5	Andreessen Horowitz	7	311	6	198	Later stage
6	London Venture Partners	7	42	5	19	Early stage
7	Sisu Game Ventures	10	126	5	4	Early stage
8	Konvoy Ventures	6	37	3	8	Early stage
9	Serena Capital	4	10.5	4	10.5	Early-stage
10	KKR	2	1980	2	1980	Later-stage
11	Golden Ventures	4	40	2	15	Early stage
12	March Gaming (March Capital)	2	15	2	15	Early stage
13	EQT Ventures	2	13	2	13	Later stage
14	IUp Ventures	4	18	2	9	Early stage
15	Bumble Ventures	2	3	2	3	Early stage
16	VGames	3	3	2	-	Early stage
17	Altos Ventures	2	176	1	26	Later stage
18	General Catalyst	3	51	1	20	Later stage
19	Courtside VC	3	36	1	18	Early stage
20	Transcend Fund	3	20	1	5	Early stage
21	Initial Capital	2	12	1	3	Early stage

Most Active Strategic Investors & Buyers

- In the Strategic field of the first three quarters of 2020 there are three mastodons with a combined announced deal value of more than \$11B – Microsoft, Zynga, and Tencent (with its subsidiaries)
- An interesting pattern is seen here with Tencent making M&As from its HQ, and multiple corporate investments through its subsidiary Supercell and Riot Games
- One unusual deal of 2020 in the strategic field is Supercell selling a stake in the *mobile gaming studio behind the top-grossing puzzle game “Sweet Escapes”*, Redemption Games to AppLovin in May, 2020
- One pure M&A acquiring leader here is, of course, Embracer Group (with its subsidiaries), making 11 deals, with the largest one being Saber Interactive acquisition for \$525m
- The most active strategic investors in Q1-Q3 are Tencent, MTG, MY.GAMES, Supercell, Kakao Games, and AppLovin
- The most probable active acquirers to follow in the foreseeable future are Microsoft (getting more content for Xbox Game Pass and xCloud), Zynga (see comment below), Tencent (active as usual), AppLovin (scaling the business before IPO), Scopely (scaling the business), Embracer and Stillfront (boosting market cap)
 - Zynga will most probably take some time to integrate recently acquired businesses and prove that it can accelerate synergy at such a large scale. We expect Zynga to continue M&A activity in 2021

Rank	Strategic Investor	# of M&A deals*	M&A value, \$m*	# of Corp investments	Corporate value, \$m
1	Microsoft (NasdaqGS:MSFT)	1	7,500	0	0
2	Zynga (NasdaqGS:ZNGA)	2	2,308	0	0
3	Tencent (SEHK:700)	3	1,514	5	215
	Miniclip (subs. Tencent)	2	100	0	0
	Supercell (subs. Tencent)	0	0	4	42
	Riot Games (subs. Tencent)	1	-	2	28
4	Embracer (OM:EMBRAC B)	11	858	0	0
5	Stillfront (OM: SF)	3	743	0	0
6	AppLovin (backed by KKR)	2	500	2	0
7	Scopely	2	250	0	0
8	Take2 (NasdaqGS:TTWO)	1	192	1	20
9	Ubisoft (ENXTPA:UBI)	1	147	1	20
10	Kakao Games (KOSDAQ:A293490)	1	100	3	20
11	SEA-Garena	1	150	0	0
12	MTG (STO: MTG A)	0	0	5	33
13	MY.GAMES (incl. MGVC)	1	-	4	-
14	Epic Games	2	-	1	15
15	Unity Software (NYSE: U)	2	-	0	0
16	Paradox Interactive (OM: PDX)	2	-	0	0
17	Playrix	2	-	0	0

Note: (*) including recently announced and unclosed transactions

About INVESTGAME

1. **Tracking all announced deals** in the gaming market — early / later stage, M&As, public offerings
2. **Detailed info** on the most active **gaming funds and strategic investors**, with deal types, value and focus
3. Covering **biggest investment news** of the **gaming market** providing facts and strategic rationale behind deals
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