



# Games Investment Review

Q4 2023 EXECUTIVE SUMMARY REPORT

DDM >

# About DDM

Digital Development Management

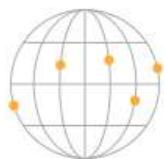
DDM >

# We are the Video Game Business Experts

DDM HIGHLIGHTS

## \$1.2 Billion

In deals secured for DDM Representation Clients



Established in Asia,  
Europe and the US  
Coasts

## 18

Years in the industry

## 70+

Consulting clients

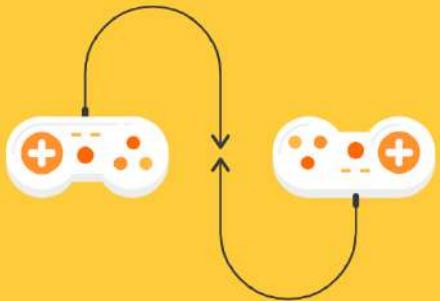
## 700+

Deals signed across  
our service areas

## 16

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.

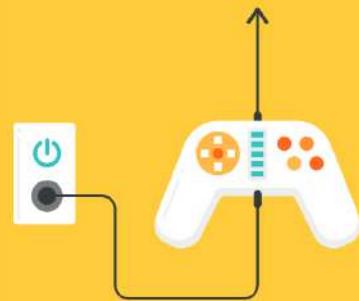
Consulting from experts who know the games business. We create action plans that are actually used.



## 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** (Business Wire, 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 19, 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** (eWTF, August 26, 2020)
- Flying Sheep has joined the game** (iCandy Interactive, September 12, 2022)
- M2H sells its majority share of WW1 Game Series to Focus Entertainment** (GamesIndustry.biz, September 12, 2022)
- OtherSide Entertainment gets new investment from Aonic Group** (GamesIndustry.biz, September 12, 2022)

# Q4 and Annual 2023 Executive 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.



## 2023 Investment and M&A Highlights

In 2023, the M&A news was indicative of what's been going on in the broader video game industry. As DDM advises clients on investments, M&As, and consults throughout a studio's life cycle, we see many shifts in the market. Here are the top highlights through an investment/M&A lens that our industry navigated throughout 2023:

- ▶ **No company is too large for acquisition.** After 633 days from the [announcement](#) and a prolonged battle with [regulators](#), Microsoft officially closed its colossal \$68.7B acquisition of US-based games developer and publisher [Activision Blizzard](#) on October 13, 2023, making it the single largest transaction in the video games industry. This enabled 2023 to be greater than the last two years of M&As combined and is one of the largest overall entertainment-based transactions. After years of speculation that large publishers like Electronic Arts and Ubisoft might be too large for acquisition, Activision Blizzard proved otherwise.
- ▶ **Saudi Arabia's impact on the gaming industry is just beginning.** The Saudi Arabian gaming hub is starting to take shape as Savvy Games Group subsidiary, Public Investment Fund, acquired US-based mobile games developer and publisher [Scopely](#) for \$4.9B (the second largest M&A in 2023) and invested in China-based eSports tournament service provider [VSPQ](#) for \$265.0M in a mid/late-stage funding round (the largest investment in 2023). In 2022, Saudi Arabia committed [\\$38.7B](#) to turn their country into a gaming hub and add 39K+ jobs by 2030.
- ▶ **Embracer Group is so large, it causes a ripple effect.** Sweden-based Console/PC games developer and publisher [Embracer Group](#) raised \$184.6M in a Post IPO equity round which decreased their net debt to strengthen their overall financial position after a \$2B deal [fell through](#) causing a [mass layoff](#) and a [restructuring program](#). This resulted in an industry-wide shift of more cautious spending for projects and investments.
- ▶ **2023 was a corrective year after record-high revenues from COVID.** While COVID was a horrible event, it's no question the games industry benefited while the population was confined to their homes and needed a form of entertainment. Now everyone is back to normalcy, revenue has slowed, requiring studios to restructure, have layoffs and in some cases, strip their business to products that are core to their brand, most notably, [Epic Games](#) divesting from Bandcamp and [Improbable](#) from its defense business.
- ▶ **China's pullback will be long-lasting.** At the end of 2023, a new draft of restrictions were introduced, causing dramatic [declines](#) in the market values of Tencent and NetEase and while they are expected to be watered down, this has created even more uncertainty about the future growth potential of the Chinese gaming market. China-based gaming giant Tencent has been known for being one of the most active investor and acquirer of Western targets, averaging more than 10 Western companies over the last two years. Recently, Tencent has dramatically reduced their spending and only invested in UK-based [Lighthouse games](#), [Quell](#), and acquired [Lucid Games](#). Similarly, technology provider ByteDance, announced they are exploring the sale of their gaming unit [Moonton Technology](#) as they shift away from mainstream video gaming just two years after they acquired the company at a speculated [\\$4.0B](#) enterprise value.



## 2023 Investment and M&A Highlights

- ▶ **2023 recorded the highest percentage of undisclosed values for investments and M&As in history.** While it is not uncommon for companies to not disclose the financial details regarding an investment or acquisition, it has never been this high. In 2023, undisclosed financials were a record-high with 28% of investments and 78% of M&As. This signals that investors or acquirers are keeping these details and motives close to their vest when there has been an expense tightening in the industry.
- ▶ **eSports is having its own winter.** 2023 battered eSports into a “[eSport winter](#)” with organizations having lower valuations. Most notable was GameSquare Holdings’ announcement that they will acquire US-based eSports organization [FaZe Clan](#) for \$17.0M, a far cry after FaZe Clan had a \$725.0M reverse merger [SPAC](#) in July of 2022.
- ▶ **2023 shook out FOMO and short-term players within blockchain.** While 2022 was riddled with black swan events including [FTX](#), [Terra Luna](#), and [Three Arrows Capital](#), just to name a few that collapsed, 2023 was a year where short-term [investors](#) left, and [regulators](#) stepped in. In 2023 blockchain investments totaled \$1.4B across 214 investments (a -72% in value and -57% in volume compared to 2022’s \$5.2B across 500 investments). Additionally, 2023 blockchain investments represented 35% of all video gaming investments, a -34% decline compared to 2022 where over 50% of all gaming investments were blockchain games or had a blockchain feature.
- ▶ **Artificial Intelligence is the latest shiny thing.** While there has been artificial intelligence in gaming for decades, the recent surge in AI potential has become the new wave as the technology helps game development studios optimize processes. With these advancements, there has been an increase in AI within gaming investments totaling over \$319.0M across 61 investments, including [Futureverse’s](#) \$54.0M Series A funding round. Though DDM expects continued strong interest in AI companies, investments and acquisitions in AI gaming have not taken off with the same velocity as blockchain in 2021 since there are fewer companies specialized in AI.
- ▶ **Poland continues to be the global gaming IPO hub.** Poland leads the world in gaming companies going public by having 34 IPOs since 2020, or over 3x the United States, the nearest country at 10 IPOs. This can be attributed by Poland having [lower public listing costs](#) and [tax incentives](#) on the Warsaw Stock Exchange. Further, this has brought in [foreign investors](#) on smaller upcoming game studios where the geographic region has a large pool of developer talent.
- ▶ **Once trendy, SPAC mergers have disappeared.** Over the past few years SPAC mergers became a trendy way to take a private company public; however, in 2023, that option slowed as mobile games developer [MultiMetaVerse’s](#) \$300.0M reverse merger with Model Performance Acquisition Corp. was the only SPAC merger of the year.



## 2023 Investment and M&A Highlights

- ▶ **Accelerators can be a source of funding for new game studios and emerging tech.** In addition to accelerators like Y Combinator and Global Top Round, we saw an increase in new accelerators who offer funding rounds to their participants. One new notable accelerator in 2023 is Andreessen Horowitz's [Speedrun](#) which invested in 32 companies at up to \$500.0K each, including six AI-specialized gaming companies.
- ▶ **African companies receive interest from foreign investors and acquirers.** Held in early December, [Africa Games Week](#) had over 50 countries in attendance, lining up with an increase in acquisitions for African game studios in 2023, including console/PC games developer [24 Bit Games](#) and eSports tournament provider [Galactech](#). This signals that African game companies are now receiving early signs of interest from foreign gaming companies who want to enter a new market.
- ▶ **Australia wants to rival Canada and UK in growing their games industry.** Australia has seen a 3x or +217% increase in games funding volume in 2023 which has been a direct result of the Australian government committing [funding](#) and [tax incentives](#) to make the country a "serious [global player](#) in game development." In 2023, DDM tracked nearly 35 grants given to video game companies and projects from federal government agency [Screen Australia](#).

- ▶ **Fortnite, Minecraft, Roblox, and user-generated content (UGC), continue to receive interest for investments and acquisitions.** Game studios who develop user-generated content or develop experiences within Fortnite, Minecraft, and Roblox continue to receive interest from investors. In 2023, there were a few sizable and notable transactions including [Gamefam](#) (\$16.5M), [Pahdo Labs](#) (\$15.0M), and [Melon](#) (\$3.3M).
- ▶ **Rockstar Games acquires Grand Theft Auto modding team, bringing immersion, replay ability, and longevity to their upcoming titles.** While the financial details were undisclosed, it does not take away the significance of Rockstar acquiring modification server provider [Cfx.re](#) who is widely known for their popular FiveM and RedM server mods for GTA V and Red Dead Redemption. We expect their [multiplayer](#) and role-playing experiences in conjunction with Rockstar's resources will expand upon immersion, replay ability and longevity for their future titles. Also, as a sidebar, who doesn't love that Rockstar Games brought CFX.re in-house after the independent team made their game experiences more enjoyable and contributed to the success of their titles?



## 2024 Outlook

Weathering two years of macroeconomic headwinds, slower economic growth, a crypto and now eSports winter, DDM believes the games industry will struggle to find its footing throughout 2024. However, the games industry continues to prove time and time again that it remains one of the most resilient industries attracting consumers, investors, and buyers. Barring significant geopolitical and economic changes, gaming related investments, acquisitions, and IPOs should stabilize and increase in the latter half as interest in gaming studios and tech continue at lower valuations.

### Investments

- ▶ By comparing half-years, H2's \$2.1B across 270 investments is a -4% in value and -22% in volume over H1 2023's \$2.2B and 346 investments; the total value from H1 to H2 has been stable while lower volume suggests more strategic investments
- ▶ In 2023, the full year of investments nearly reached or surpassed \$1.0B in value every quarter and we expect H1 2024 will be in line with H2 2023: continued interest from investors and buyers but with cautious sentiment until global economic pressures and geopolitical tensions ease
- ▶ While 2023 was relatively quiet outside of Saudi-based Public Investment Fund's \$4.9B acquisition of [Scopely](#) and \$265.0M investment of [VSPQ](#) through its subsidiary Savvy Games Group, they still have over 75% of the capital [allotment](#) for a Saudi Arabian gaming hub and DDM expects investments and/or acquisitions to pick back up soon now the Scopely acquisition has been completed
- ▶ China will continue to have tight gaming restrictions and lower revenues for their giants including Tencent and NetEase who are under pressure to further expand into the West; [Pony Ma](#), CEO of Tencent, stated "our competitors continue to produce new products, leaving us feeling having achieved nothing" after Tencent's [investments](#) dropped 87% in two years due to increased regulatory restrictions
- ▶ Blockchain gaming to see renewed interest; Animoca Brands chairman Yat Siu stated he has seen a [revival](#) in blockchain games investors before the US SEC [approved](#) 11 Spot Bitcoin ETFs which caused cryptocurrency values to rise

### Exits (M&A + IPOs)

- ▶ By comparing half-years, H2 2023 M&As totaled \$76.0B across 73 transactions (+11187% increase in value and -1% in volume compared to H1 2023's \$673.4M across 74 transactions) and H1 2024 will look drastically different compared to H2 2023 which is expected as Microsoft's \$68.7B acquisition of Activision Blizzard in October 2023 is a rarity
- ▶ 2024 will be a year of unprecedeted layoffs, closures, and divestitures as companies focus on core offerings; [100 Thieves](#), [ByteDance](#), [Epic Games](#), [GameSquare](#), and [Thunderful](#) are a select few who took/are exploring such actions
- ▶ Bargain M&A opportunities will occur as many studios downsize or streamline their operations; some may need to sell their business to survive as [Behaviour Interactive](#) scooped up Antimatter Games after the studio was going under
- ▶ By comparing half-years, IPOs will continue their consistent pace of 3 debuts per quarter: H2 2023 IPOs totaled \$143.4M across 6 IPOs (-70% in value and 0% in volume compared to H1 2023's \$475.9M across 6 IPOs) with Poland as the gaming IPO leader where 34 Poland-based game studios have gone public since 2020

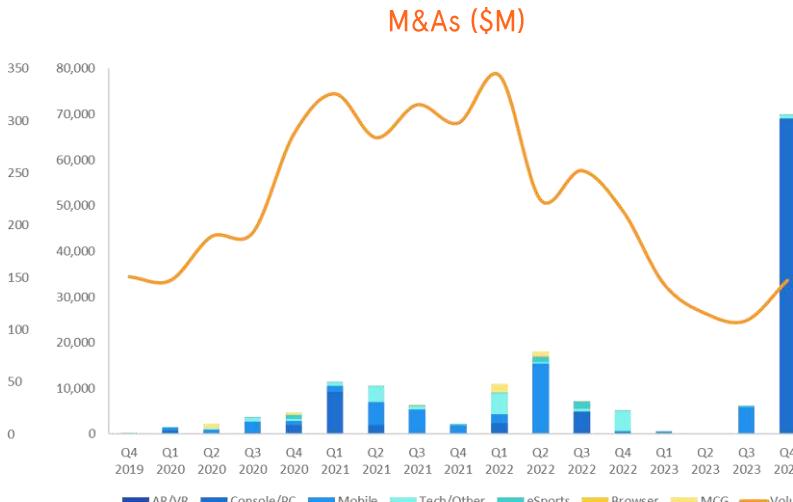
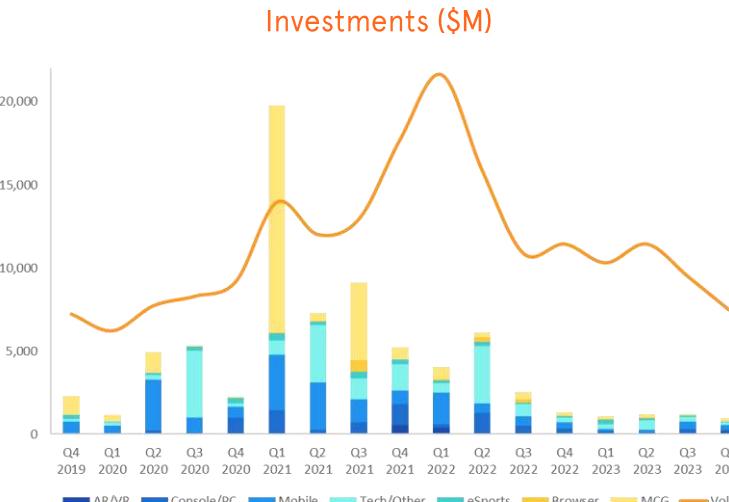




## Q4's \$70.8B Investments/M&As Achieves Record Quarter and Year

For the last two years, the games industry navigated macroeconomic headwinds, slower economic growth, a crypto and now eSports winter. The games industry continued to press on to a record-breaking year despite layoffs and closures. Q4 2023 totaled \$70.8B across 161 investments and M&As (+864% in value and -12% in volume compared to Q3's \$7.3B across 182 transactions):

- ▶ Q4 2023 investments totaled \$936.6M across 119 investments (-22% in value and -21% in volume compared to Q3's \$1.2B and 151 investments) marking the first quarter to achieve a value under \$1.0B in investments since Q3 2018's \$641.5M across 76 investments
- ▶ Q4 2023 M&As totaled \$69.8B across 42 transactions (+1037% in value and +36% in volume over Q3's \$6.1B across 31 transactions); this 11x increase in value was due to Microsoft's \$68.7B acquisition of Activision Blizzard which was the largest transaction in games history and over 98% of the quarter's value
- ▶ Q4 2023 IPOs totaled \$112.0M in total market capitalizations across 3 IPOs (+257% in value compared to Q3's \$31.4M in combined market capitalizations across 3 IPOs); while Q4's deal volume remained stagnant at 3 IPOs, it's consistent in volume seen pre-pandemic at 3 IPOs per quarter
- ▶ Q4 2023's new fund announcements raised \$17.8B across 26 funds (+87% in value and -21% in volume compared to Q3's \$9.5B across 33 new funds) the highest amount of capital raised since Q3 2022's \$16.9B across 40 funds



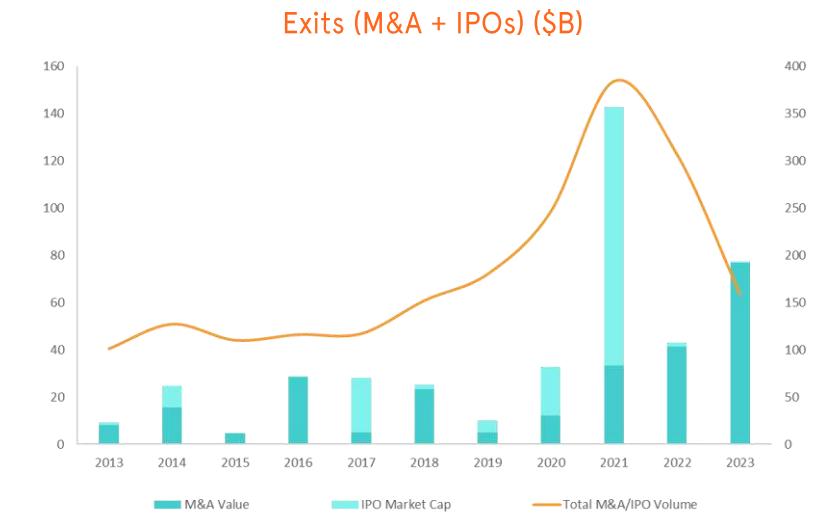
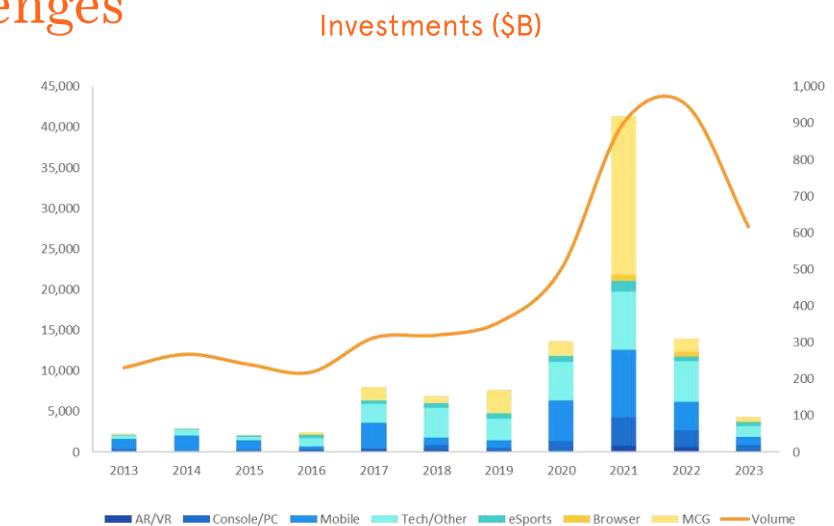




# \$81.1 Billion Over 763 Transactions Breaks Record; Masks Challenges

2023 was a historic year for games investments and M&As breaking 2021's previous record of \$74.8B across 1,250 transactions thanks to Microsoft's colossal \$68.7B acquisition of Activision Blizzard that represented 85% of the year's total of \$81.1B across investments and M&As. Beneath these shiny totals, the industry struggled to maintain momentum and displayed pullback and caution in 2023.

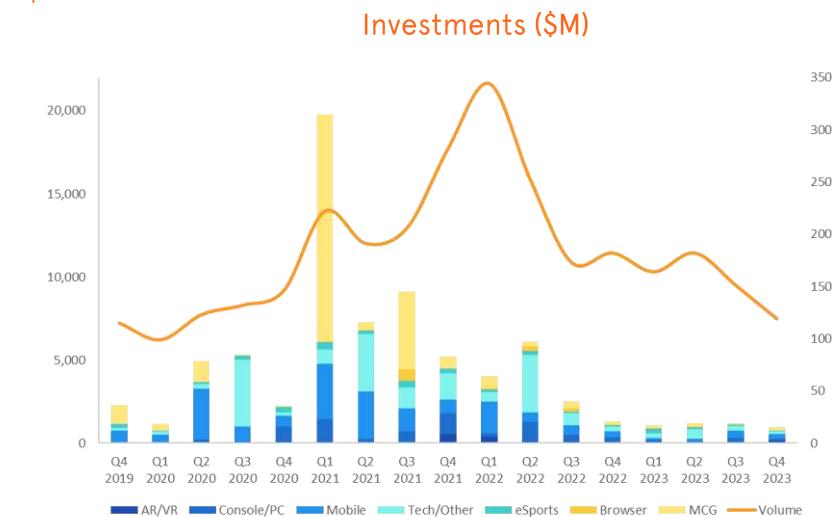
- ▶ 2023 investments totaled \$4.4B across 616 investments (-69% in value and -35% in volume over 2022's \$14.0B over 951 investments); while investment values have not been this low since 2016's \$2.4B across 218 investments, it's worth noting that 2023 still performed better than the 2020 pandemic at 500 investments
- ▶ 2023 M&As totaled \$76.7B across 147 transactions (+85% in value and -50% in volume compared to 2022's \$41.4B across 295 transactions); this 1.9x increase in value was due to Microsoft's blockbuster \$68.7B acquisition of Activision Blizzard which accounted for 90% of the year's M&A value and exceeded 2022's record year by over \$35.4B
- ▶ Without the Microsoft + Activision Blizzard transaction, 2023 M&As would have totaled \$8.0B across 146 transactions, the lowest since the pandemic where 2020 reached \$12.1B across 233 transactions
- ▶ 2023 IPOs totaled \$619.3M across 12 IPOs (-60% in value and 0% in volume compared to 2022's IPOs totaling \$1.6B across 12 IPOs); while investment values have not been this low since 2016's \$420.0M, annual volume remains elevated since 2020 due to a consistent IPO market in Poland
- ▶ 2023 Exits (M&As + IPOs) totaled \$77.3B across 159 transactions (+80% in value and -48% in volume compared to 2022's \$42.0B total across 307 transactions); while this is a 1.8x increase in value from \$35.3B in 2022, it still was not close to 2021's record which reached \$142.8B and was boosted by several large IPOs including Roblox's \$42.1B and Playtika's \$11.1B public debuts
- ▶ 2023 blockchain investments totaled \$1.4B across 214 investments (-72% in value and -57% of the volume compared to 2022's \$5.2B across 500 investments); blockchain continues to receive interest from investors as 2023 blockchain investments represented 34% of the investments; however, this is an 18% decline from 2022's 53% of the investments
- ▶ 2023 developer investments totaled \$2.2B across 415 investments (-76% in value and -31% of volume compared to 2022's \$9.4B across 601 investments); despite volume being down significantly year-over-year, the volume of developer investments represented 67% of 2023, the highest percentage in games history since 2013's 63.5%
- ▶ 2023 new fund announcements totaled \$45.4B in new capital raised across 119 funds (-54% in value and -20% in volume compared to 2022 totaling \$99.6B across 149 funds)
- ▶ In 2023, DDM tracked over 575 new investors and or acquirers across investments and M&As, including ones participating in earlier transactions that were recently recorded as details become available



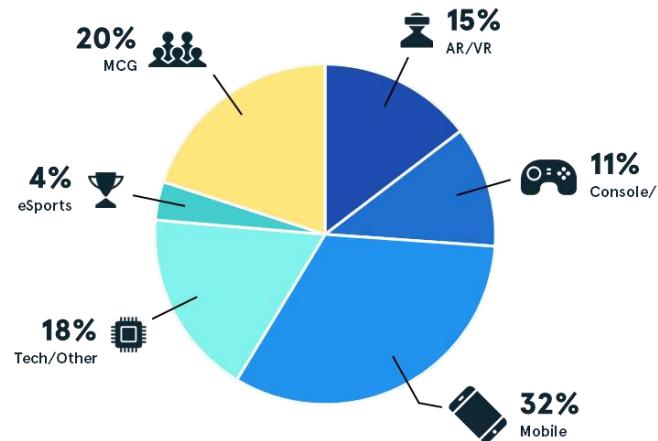


## Q4's \$936.6M in Game Investments Records First Quarter Under \$1.0B Since 2018

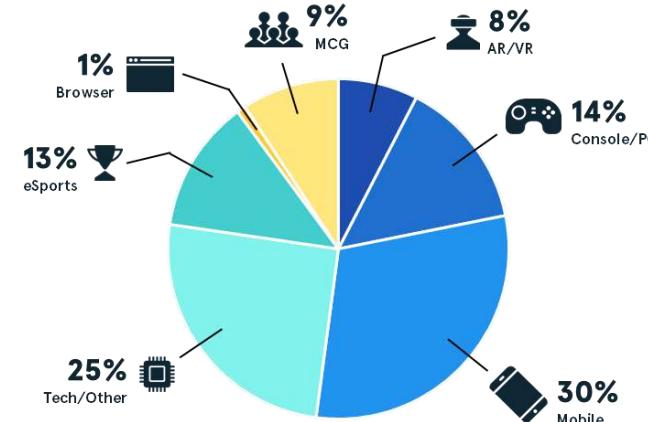
- Q4 2023 investments totaled \$936.6M across 119 investments (-22% in value and -21% in volume compared to Q3's \$1.2B and 151 investments), marking the first quarter to achieve a value under \$1.0B in investments since Q3 2018's \$641.5M across 76 investments; and it's worth noting, our Q3 2023 report indicated the quarter achieved \$945.0M in investments but has since increased as new financial details became available after that report was published
- Among fourth quarters for any given year, while deal volume regressed by 21% in Q4 to 119 investments, it still achieved the fourth best Q4 in volume only being surpassed by fourth-quarters in 2020, 2021, and 2022
- Highest segment by value was led by Mobile (33%), followed by MCG\* (20%), Tech/Other (18%), AR/VR (15%), Console/PC (11%), and eSports (4%)
- Highest segment by volume was led by Mobile (30%), followed by Tech/Other (25%), Console/PC (14%), eSports (13%), MCG\* (9%), AR/VR (8%), and Browser (1%).
- Q4 2023 undisclosed investments totaled 29 investments or 24% of the quarters total, identical to the last two quarters which is significantly higher than the statistical average of 17%
- Q4 2023 reached \$1.2B [+/- \$108.2M] by using historical averages to estimate the undisclosed investment values



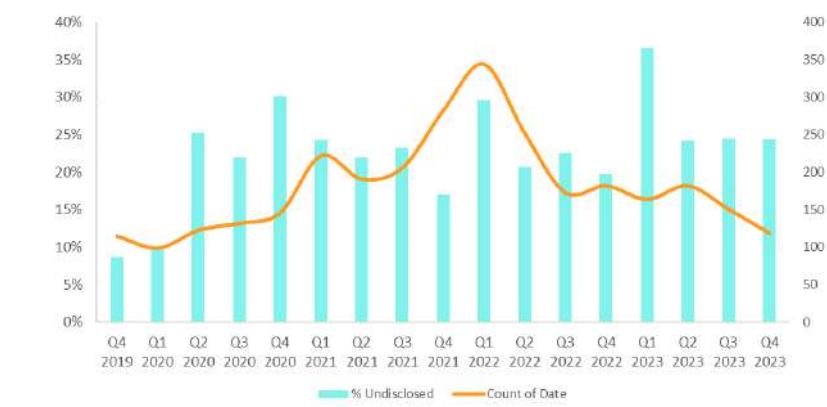
### Segments by Value



### Segments by Volume



### % of Undisclosed Investments vs Deal Volume



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



## Top and Median Segment Investment Q4 2023

Disclosed Investments Q4 2023								
Category	AR/VR	Browser	Console/PC	eSports	MCG*	Mobile	Tech/Other	
No. Investments	8	1	12	10	9	34	26	
Top Deal by Value (\$M USD)	MyDearest's \$7.7M Series C investment from SBI Group, DG Daiwa Ventures, NetEase, Wing Capital Partners, OLM Ventures, Samurai Incubate, and others	Ordz Games' undisclosed early-stage investment from Waterdrip Capital, UniSat, CoinSummer, SatoshiLab, Sora Ventures	Strikerz \$40.0M early-stage investment from angel investors	Allstar \$14.7M Series A investment from Drive Capital, New York Angels, Studio VC, J-Ventures, Alumni Ventures, Overwolf, angel investors	Gamefam's \$16.5M early-stage investment from unknown investors	LINE NEXT'S \$140.0M mid/late-stage investment from Crescendo Equity Partners	Leonardo.ai's \$31.0M early-stage investment from Blackbird, Side Stage Ventures, Smash Capital, Tirta Ventures, Gaorong Capital, Samsung	
Seed by Volume	25%	100%	83%	60%	56%	59%	42%	
Series A by Volume	25%	0%	17%	20%	22%	15%	31%	
Other by Volume	50%	0%	0%	20%	22%	26%	27%	
Q4 Median Segment Investment (\$M USD)	4.0	N/A	7.3	2.0	3.0	2.7	6.0	
Q4 Segment Total Value (\$M USD)	135.8	0.0	105.5	24.9	39.9	302.6	155.7	
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	

► 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 Active Investors (#1-5)

Animoca Brands			
8 Investments			
Q4 Round Total (\$M, USD)	Q4 Top Round Value (\$M, USD)	Stages	Top Segments
34.5	11.0	Early	Mobile, Tech/Other, Console/PC, MCG
 ▶ Forge, a gaming rewards platform provider, raised \$11.0M in a seed round co-led by Animoca, BITKRAFT Ventures, and Makers Fund  ▶ Blockchain PC games developer Farcana raised \$10.0M via a seed round  ▶ Blockchain games developer Upland raised \$7.0M in a Series A round			

BITKRAFT Ventures			
5 Investments			
Q4 Round Total (\$M, USD)	Q4 Top Round Value (\$M, USD)	Stages	Top Segments
51.0	21.0	Early, Mid/Late	Tech/Other, Mobile
 ▶ Gaming livestreaming platform provider Noice raised \$21.0M in a Series A round  ▶ Forge, a gaming rewards platform provider, raised \$11.0M in a seed round co-led by BITKRAFT Ventures, Animoca, and Makers Fund  ▶ Lolli, a blockchain gamified rewards program provider, raised \$8.0M in a Series B round led by BITKRAFT			

Polygon			
5 Investments			
Q4 Round Total (\$M, USD)	Q4 Top Round Value (\$M, USD)	Stages	Top Segments
34.9	11.9	Early, Mid/Late	Mobile, Tech/Other, Console/PC, eSports
 ▶ Blockchain and mobile games developer/publisher Animoca Brands raised \$11.9M in a late-stage funding round  ▶ Forge, a gaming rewards platform provider, raised \$11.0M in a seed round  ▶ Blockchain PC games developer Farcana raised \$10.0M via a seed round			

KRAFTON			
4 Investments			
Q4 Round Total (\$M, USD)	Q4 Top Round Value (\$M, USD)	Stages	Top Segments
44.8	14.8	Early, Mid/Late	Console/PC, Mobile, Tech/Other
 ▶ One Store, a mobile app store provider, raised a mid/late-stage investment of \$14.8M  ▶ Developer Noodle Cat Games raised \$12.0M in a Series A round  ▶ Forge, a gaming rewards platform provider, raised \$11.0M in a seed round			

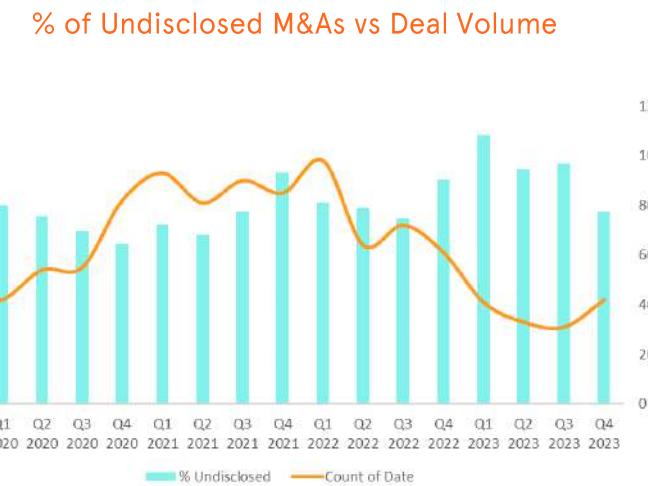
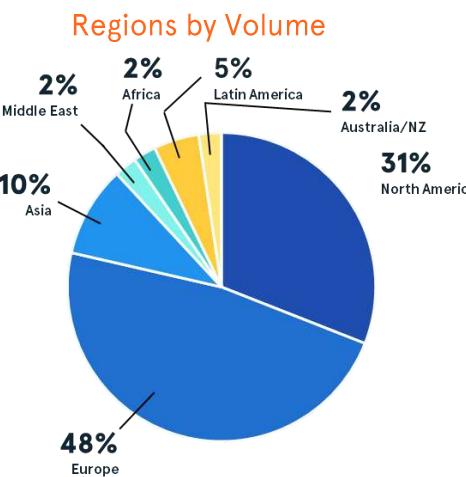
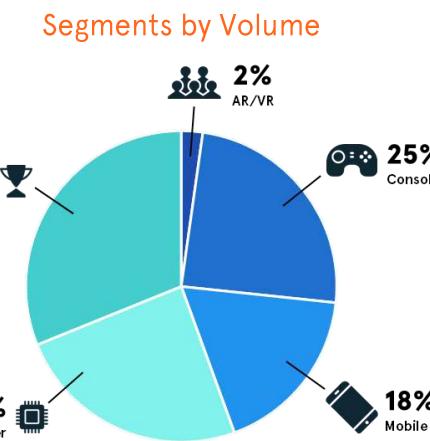
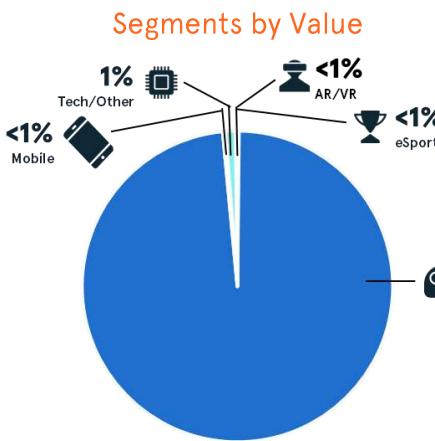
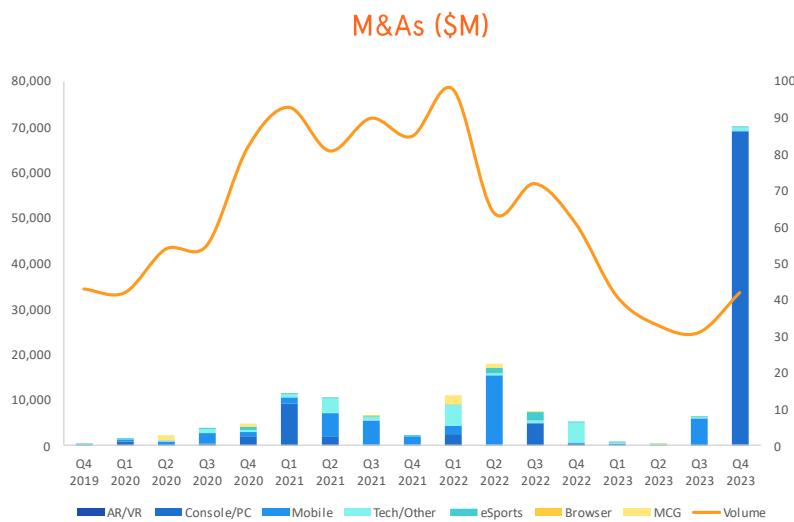
IOSG Ventures			
3 Investments			
Q4 Round Total (\$M, USD)	Q4 Top Round Value (\$M, USD)	Stages	Top Segments
22.4	20.0	Early	Tech/Other, Mobile
 ▶ Shrapnel, a transmedia/interactive production company and blockchain games developer, raised \$20.0M in a Series A round  ▶ Blockchain games developer Moonveil Entertainment raised \$2.4M in a seed round  ▶ Artifact Lab, a games monetization platform provider raised, \$2.0M in a pre-seed round co-led by IOSG Ventures and RW3 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.



## Q4's \$69.9B M&As Propelled by Microsoft's Acquisition of Activision Blizzard

- Q4 2023 M&As totaled \$69.9B across 42 transactions (+1037% in value and a +36% in volume compared to Q3's \$6.1B across 31 transactions); this 11x increase in value was due to Microsoft's \$68.7B acquisition of Activision Blizzard which represented 98% of the quarter's value which is not only the single largest transaction in video games history but pushed 2023 to be greater than the last two years of M&As combined
- Compared to previous quarters, undisclosed Q4 M&A values came down to 64% or 26 transactions, which is significantly down from Q1 2023's record high of 90% and slightly below the statistical average of 66%
- Highest segment by value was led by Console/PC (98%), followed by Tech/Other (1%), Mobile (<1%), AR/VR (<1%), and eSports (<1%)
- Highest segment by volume was led by eSports (31%), followed by Tech/Other (26%), Console/PC (22%), Mobile (19%), and AR/VR (2%)
- While North American companies led the quarter in M&A value totaling \$68.9B across 13 transactions (99% of the value 31% of the volume), European companies led the quarter in volume totaling \$307.9M across 20 transactions (<1% of the value and 48% of the volume); Asia ranked third in value and in volume totaling \$152.8M across 4 transactions (<1% of the value and 10% of the volume); the Middle East, Africa, Latin America, and Australia/NZ all did not have any M&As with disclosed values however, they collectively represented 12% of the quarter's volume



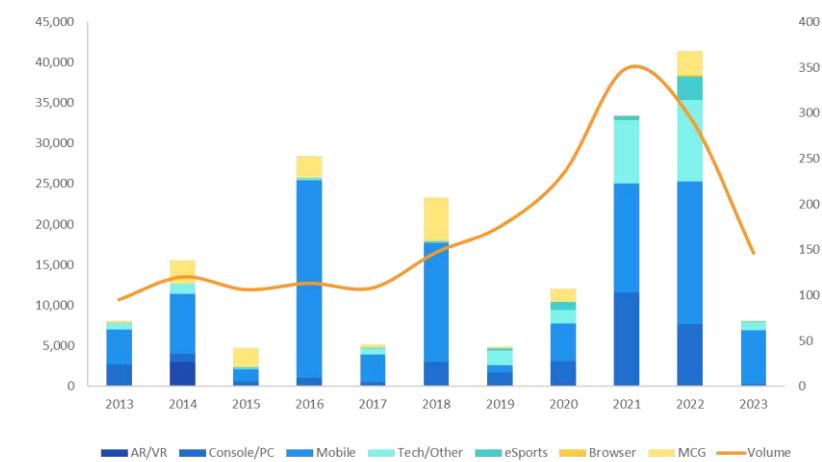


## Without Microsoft/Acquisition Blizzard, 2023 Total at \$11.4B (-80% YoY)

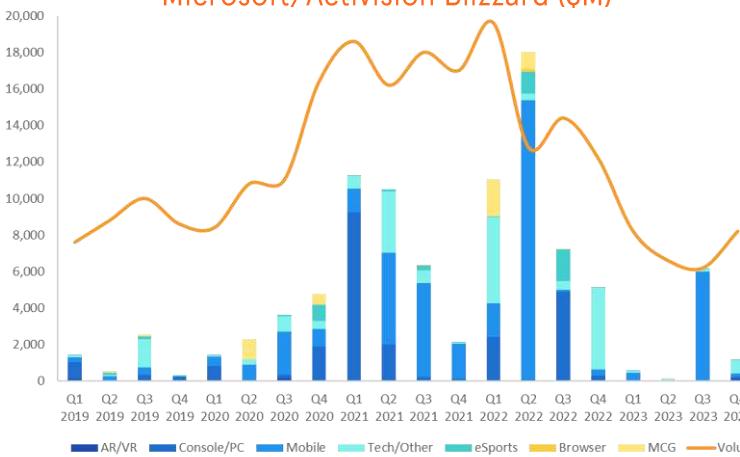
While it was a record-shattering year and quarter due Microsoft's behemoth \$68.7B acquisition of Activision Blizzard, DDM performed further analyses to see how the quarter and year would have shaken out given the acquisition was heavily battled by regulators and represented over 90% and 95% of the year and quarter for M&A value:

- ▶ 2023 would have totaled \$11.4B across 643 investments and M&As (-80% in value and -49% in volume compared to 2022's \$55.4B across 1,246 transactions); while this is -85% in value and -45% in volume from 2021's top of \$74.8B across 1,250 in investments and M&As, 2023's transaction volume is still significantly higher compared to 2019 or pre-pandemic (+22% in volume across investments and M&As at 529 transactions)
- ▶ 2023 M&As would have totaled \$8.0B across 146 transactions (-81% in value and -51% in volume compared to 2022's \$41.4B across 295 transactions); although this is -76% in value from 2021's top of \$33.4B across 349 transactions, 2023 M&A volume is comparable to 2018's 147 and 2019's 175 transactions. 2023 Exits (M&A + IPOs) would have totaled 8.6B across 158 transactions (-80% in value and -49% in volume compared to 2022's Exits totaling \$42.9B across 307 transactions)
- ▶ Q4 2023 M&As would have totaled \$1.2B across 41 transactions (-81% in value and +32% in volume over Q3's \$6.1B across 31 transactions); Q4 2023 Exits (M&A + IPOs) would have totaled \$1.2B across 44 transactions (-79% in value and +33% in volume compared to Q3 2023's \$6.2B across 34 transactions

2023 M&As Without Microsoft/Activision Blizzard (\$M)



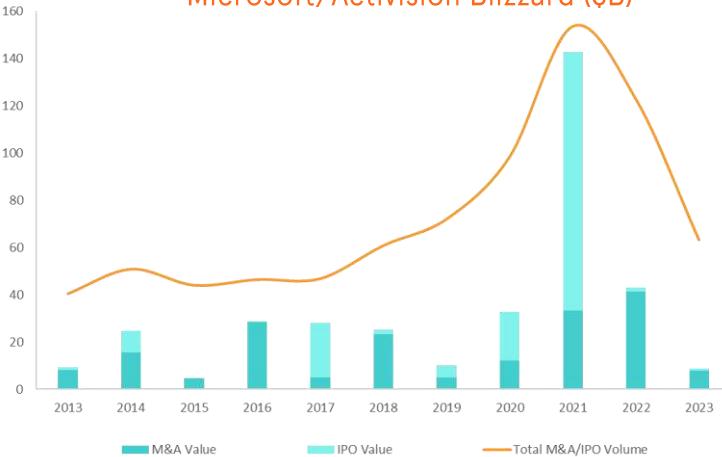
Q4 2023 M&As Without Microsoft/Activision Blizzard (\$M)



Q4 2023 Exits (M&A + IPOs) Without Microsoft/Activision Blizzard (\$B)



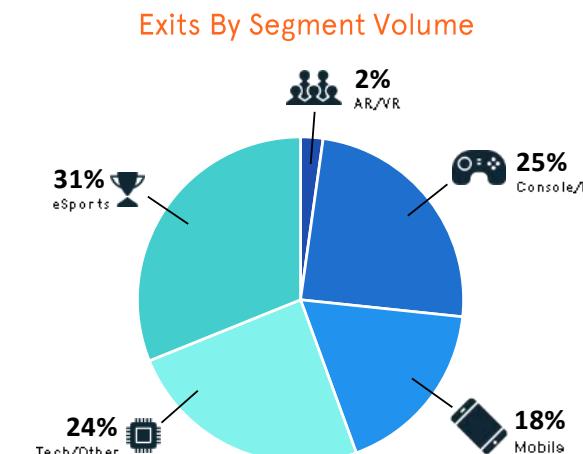
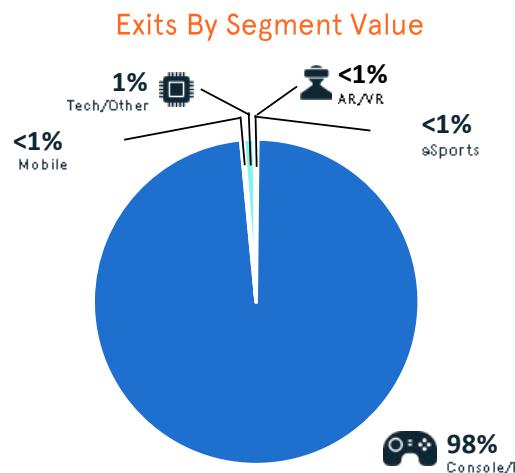
2023 Exits (M&A + IPOs) Without Microsoft/Activision Blizzard (\$B)





## Q4's \$70.0B In Exits (M&A+IPOs) Breaks Record By Activision Blizzard's Acquisition

- Q4 2023 IPOs totaled \$112.0M in combined market capitalizations across 3 IPOs (+257% in value and 0% in volume compared to Q3's totaled \$31.4M in combined market capitalizations across 3 IPOs)
- Among fourth quarters for any given year, while Q4's deal volume remained stagnant at 3 IPOs, it's consistent in volume seen pre-pandemic at 3 IPOs per quarter
- Pakistan-based eSports event service provider Gamer Pakistan held Q4's largest IPO raising \$6.8M with a market capitalization of \$102.3M on the Nasdaq Exchange
- Similar to Q3 2023, two Poland-based Console/PC games developers debuted on the NewConnect Exchange in Q4 included Red Square Games with a market capitalization of \$8.0M and Space Fox Games with a market capitalization of \$1.7M
- Q4's Exits (M&A + IPOs) totaled \$70.0B over 45 transactions (+1033% increase in value and +32% increase in volume compared to Q3's exits of \$6.2B over 34 transactions); this 11x in value was due to Microsoft's \$68.7B acquisition of Activision Blizzard which achieved the highest value for exits surpassing Q1 2021's \$67.0B where Roblox and Playtika held their IPO debuts at a combined market capitalization of \$53.2B
- Highest Exits (M&A + IPOs) by segment value was led by Console/PC (98%), followed by Tech/Other (1%), Mobile (<1%), eSports (<1%), and AR/VR (<1%)
- Highest Exits by segment volume was led by eSports (31%), followed by Console/PC (25%), Tech/Other (24%), Mobile (18%), and AR/VR (2%)

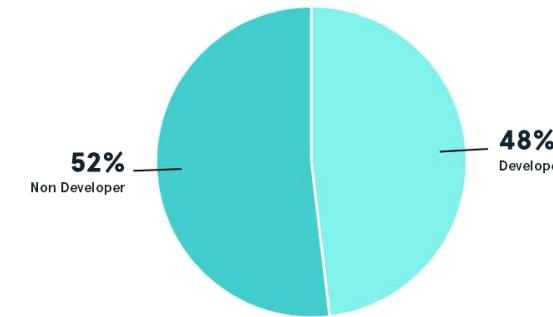




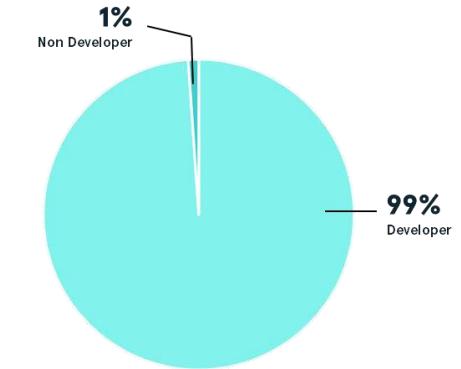
# Developer M&A Value Grew 11x in Q4 Due to Microsoft's Acquisition of Activision Blizzard

- Q4 2023 game developer investments totaled \$450.7M across 67 investments (48% of the value and 56% of the volume) compared to non developers totaling \$485.9M across 52 investments (52% of the value and 44% of the volume)
- Median investment values for developers have increased to \$3.0M (+200% in value from Q2's low of \$1.0M) but is still significantly down from Q1's \$4.0M median (-25% in value)
- Q4 2023 game developer M&As totaled \$69.1B across 18 transactions (+1025% of the value and +29% of the volume), 11x compared to Q3's \$6.1B across 14 transactions, which is due to Microsoft's behemoth \$68.7B acquisition of Activision Blizzard
- Highest investment segment by value was led by MCG\* (42%), followed by Mobile (27%), Console/PC (21%), AR/VR (5%), and Tech/Other (5%)
- Unlike Q3 where the median size studio that received the most volume of investments was 8 employees, Q4 2023 saw that investments were geared towards studios between 10-20 employees (36%) with a median of 16; in line with prior reports where M&As of studios between 21-100 represented the majority, 2023 continued this trend with studios of 21-50 (50%) and a median of 28 employees

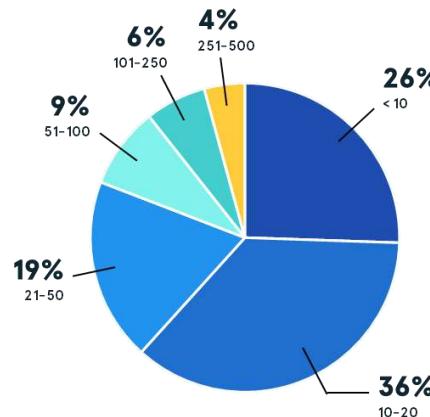
Investment Offering by Value



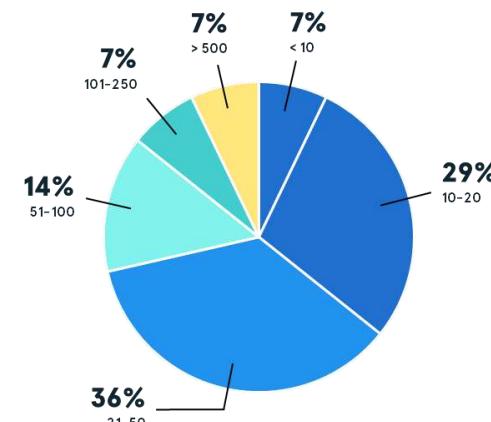
M&A Offering by Value



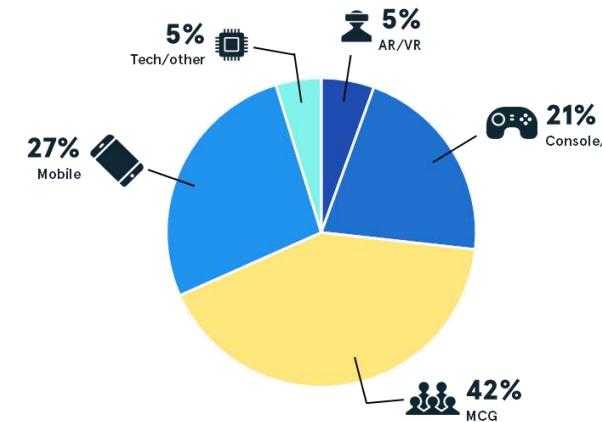
Investment Volume by Studio Size



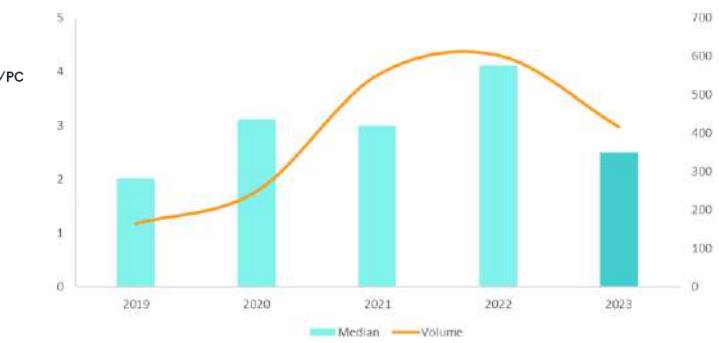
M&A Volume by Studio Size



Investment Value by Segment



Median Investment by Year



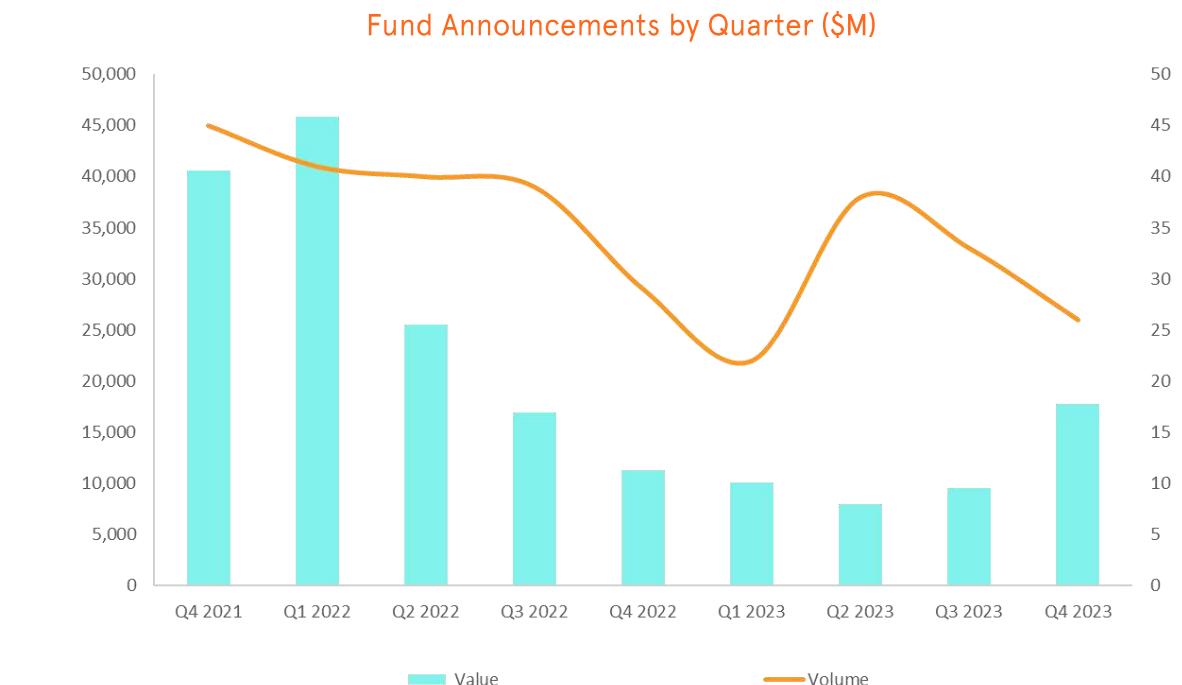
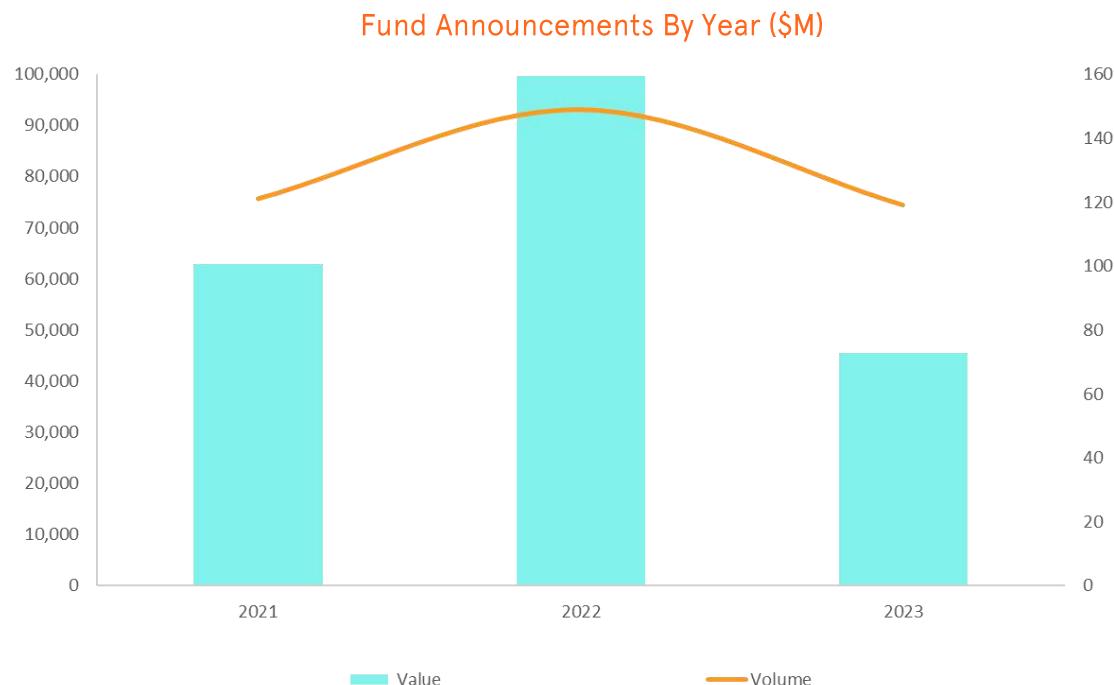
\*Mass Community Games (MCG) are games driven by online community play. Includes MMOs, MOBAs, battle royale, and metaverse games.



## Q4's \$17.8B in New Funding Records Highest Capital Raised in Over a Year

- ▶ 2023 new fund announcements totaled \$45.4B in new capital raised across 119 (-54% in value and -20% in volume compared to 2022 totaling \$99.6B across 149 funds), the least amount that has been raised the past three years
- ▶ While comparing year-over-year, Q4's \$17.8B raise across 26 funds is a slight increase compared to Q4 2022's \$16.8B across 39 new fund announcements (-44% decline in value and -21% of the volume)
- ▶ Blockchain continues to receive interest from investors as funds with a blockchain focus raised \$2.8B across 10 funds (+56% of value and -23% of volume compared to Q3 2023's \$1.9B across 13 new funds)

- ▶ Q4 2023 fund announcements in new capital raised was +87% in value and -21% in volume compared to Q3's \$9.5B across 33 new funds which is the highest amount of capital raised in over a year going back to Q3 2022's \$16.9B across 40 funds
- ▶ While Q4 2023 had a -21% decline in fund announcements, the \$17.8B in capital raised was propped from four funds raising over \$1.0B in capital
- ▶ In prior quarters DDM mentioned that although fund announcements remain high, the amount raised has been at a fraction; however, Q4 saw the average capital raised per fund reach \$789.2M (+179% increase in value compared to Q3's \$283.1M) suggesting it's becoming easier for fund managers to raise capital





## 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.

Video gaming transactions with a future impact:

- ▶ Gamesquare Holdings' \$17.0M 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
- ▶ 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
- ▶ RF Acquisition Corp and RF Dynamic's \$1.2B reverse merger SPAC with video game distributor and publisher [Grand Centrex](#), which will be listed on the Nasdaq in Q2 of 2024

Adjacent transactions with no impact on future reports:

- ▶ China Literature's \$84.0M acquisition of tech conglomerate [Tencent's](#) Animation and Comic business
- ▶ Light & Wonder's \$422.0M acquisition of iGaming developer and publisher [SciPlay](#)
- ▶ SoCast's \$3.4M acquisition of eSports organization [GameSquare Holdings'](#) non-core radio business
- ▶ Spencer Brewing's acquisition of eSports organization [100 Thieves'](#) Juvee energy drink business



## 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 16 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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