

Gaming Deals Activity Report H1'2021

Tremendous growth on all fronts

H1

H1'21 Closed Deals Tracked

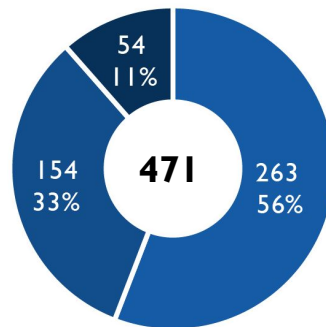
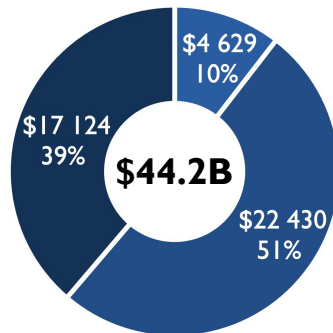
By Deal Type

Value of Closed Deals*, \$m

Number of Closed Deals*

TOTAL

- Private investment
- M&A
- Public offerings

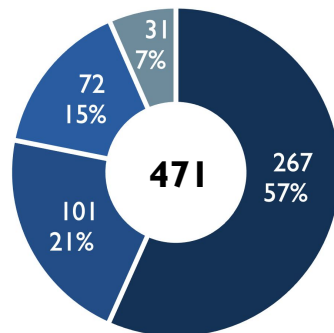
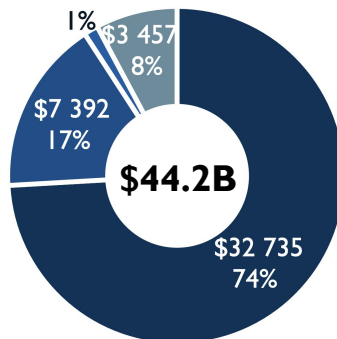


\$44.2B

value of 471 closed transactions

By Target Segment

- Gaming
- Platform&Tech
- Esports
- Other



\$50.2B

value of 489 deals (announced / closed)

Executive Summary

- **H1'21** represents a vast **4x growth vs. H1'20 on all fronts**, including private investments (\$4.6B vs. \$1.4B), public offerings (\$17.1B vs. \$4.9B), and M&As (\$22.4B vs. \$4.0B)
- There were **471 transactions** closed in H1'21 with **the total deal value** of \$44.2B and **18 announced transactions** still in process. Cumulative value for announced and closed deals was \$50.2B in H1'21
- **Over half** of closed **deal value** comes from 154 **M&As**. **Public offerings** saw 54 transactions, accounting for **around 40%** of total value. **Private investments** contributed **10% to the value** with 263 closed deals
- The \$4.6B of private placements **set a new record**, with the **late-stage transactions** accounting for **65%** of total value. Largest funding rounds include Epic Games of \$1B and Roblox pre-IPO round of \$0.5B
- **Public offerings** also achieved **all-time high numbers**, with 54 closed deals in H1'21, accounting for \$17.1B, providing **+248% YoY deal value growth** and **+74% YoY growth in transaction numbers**
- Furthermore, **M&A** transactions accelerate **the biggest growth for the gaming industry**, with the \$22.4B deal value across 154 deals, **exceeding the full 2020 year result** of \$12.6B with 218 deals
- As usual, **Gaming segment was the largest one**, demonstrating **overall blazing 4x times growth YoY** with \$32.7B (vs. \$7.7B in H1'20) deal value across 267 deals, including \$20.4B in M&As (+486% YoY), \$2.8B in private transactions (+367% YoY), and \$9.5B in public offerings (+157% YoY)
- **VC** gaming funds **remain very active**, with top-15 gaming VC funds injecting approximately \$1.1B into 60+ companies in H1'21. **BITKRAFT continues to lead the chart**, followed by **Makers Fund** and **Index Ventures**
- **Tencent continues to lead the strategic** rating with major focus on PC&console, closing a total of 53 deals, including acquisitions of Yager and Outsiders, and investments in Mundfish, Dontnod, and Bohemia Interactive
- The industry is experiencing **the rise of blockchain-powered gaming**. In H1'21, crypto gaming companies closed 24 deals (vs. 12 deals closed in 2020FY) with a total value exceeding \$476m — 75% of the total raised sum comes from 3 funding rounds: Forte (\$185m), Animoca Brands (\$89m), and Mythical Games (\$75m)

GAMING

\$32.7B

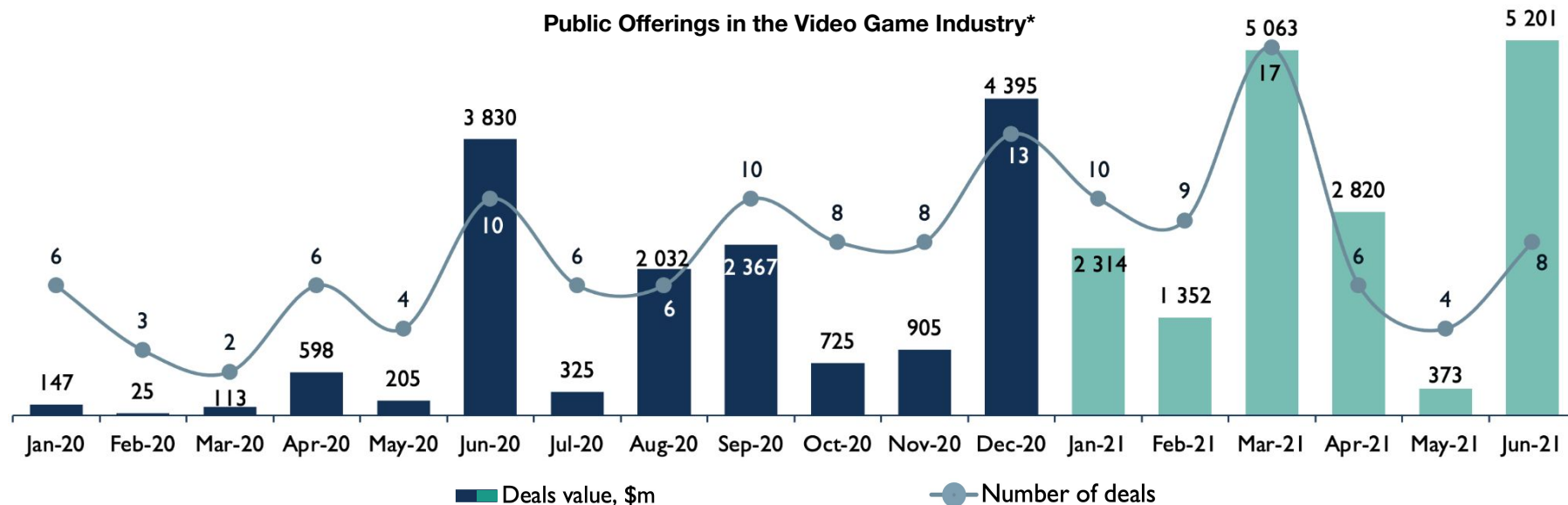
value of 267 closed
gaming deals

\$38.6B

value of 278 deals
(announced / closed)

Public Offerings Activity

- Public deal activity **continues to be strong**, surpassing \$17.1B in total deal value in H1'21, **exceeding the previous full year result** of \$15.7B
 - Among **major value drivers** in H1'21 are Bilibili PIPE (\$2.6B), ironSource de-SPAC (\$2.3B), AppLovin IPO (\$2.0B), and Playtika IPO (\$1.9B)
- There was a strong persistent growth trend in the number of public offerings deals over Mar'20 – Mar'21, which saw a significant drop in Q2'21 with many public gaming companies **experiencing a share price decline** during the last quarter

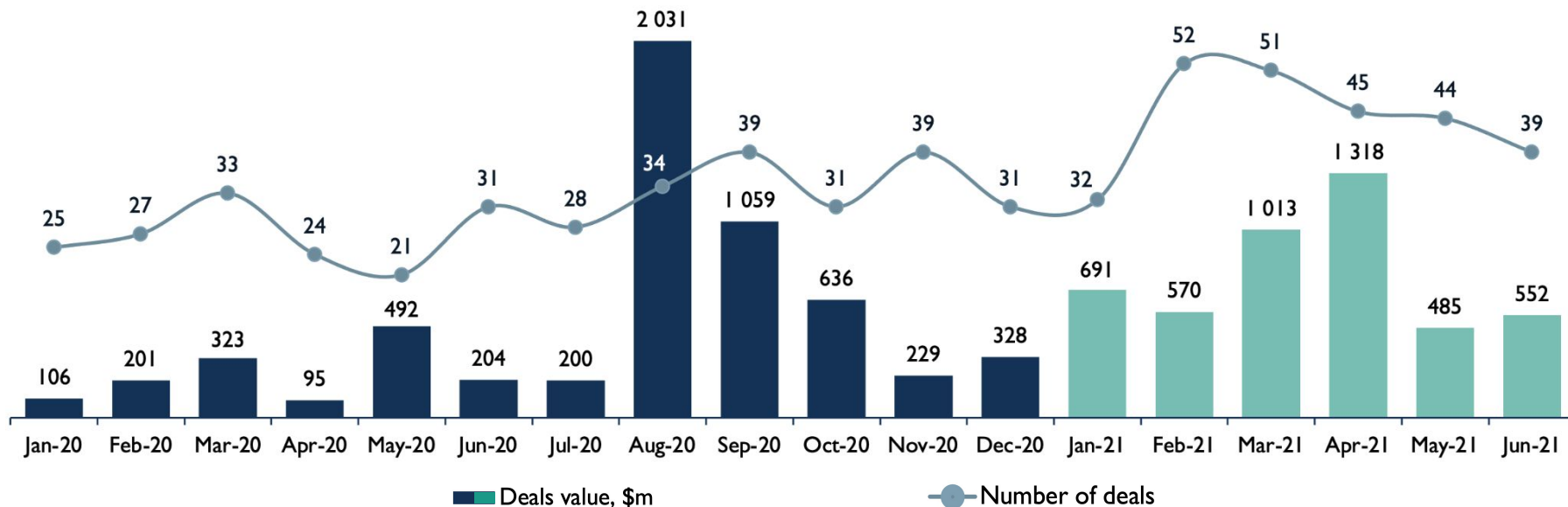


Note: (*) only closed H1'21 deals are reflected in the graphs (excl. Nexters, Krafton, and other deals in process);
The amount doesn't include Tencent fixed-income offerings of \$4.04B closed during H1'21

Private Investment Activity

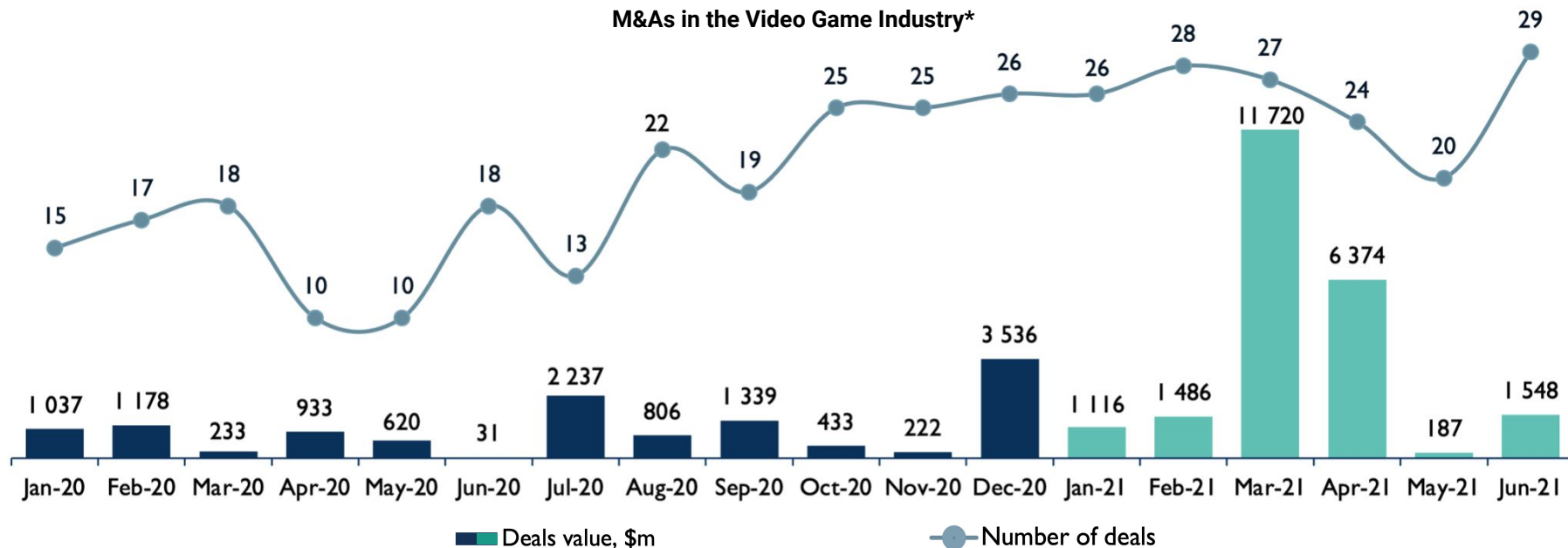
- In H1'21 investors **pumped an outstanding amount** of \$4.6B via **VC and corporate deals**, indicating a 226% growth YoY in raised capital (vs. \$1.4B in H1'20) with 263 closed deals (vs. 161)
- **Late-stage deals amounted** to the bulk of it with **~65% of total private investments** (\$3B among 27 deals), while early-stage comprised around 25% of value (\$1.1B among 170 deals) and corporate — 10% with 57 deals

Private Investments in the Video Game Industry



M&A Activity

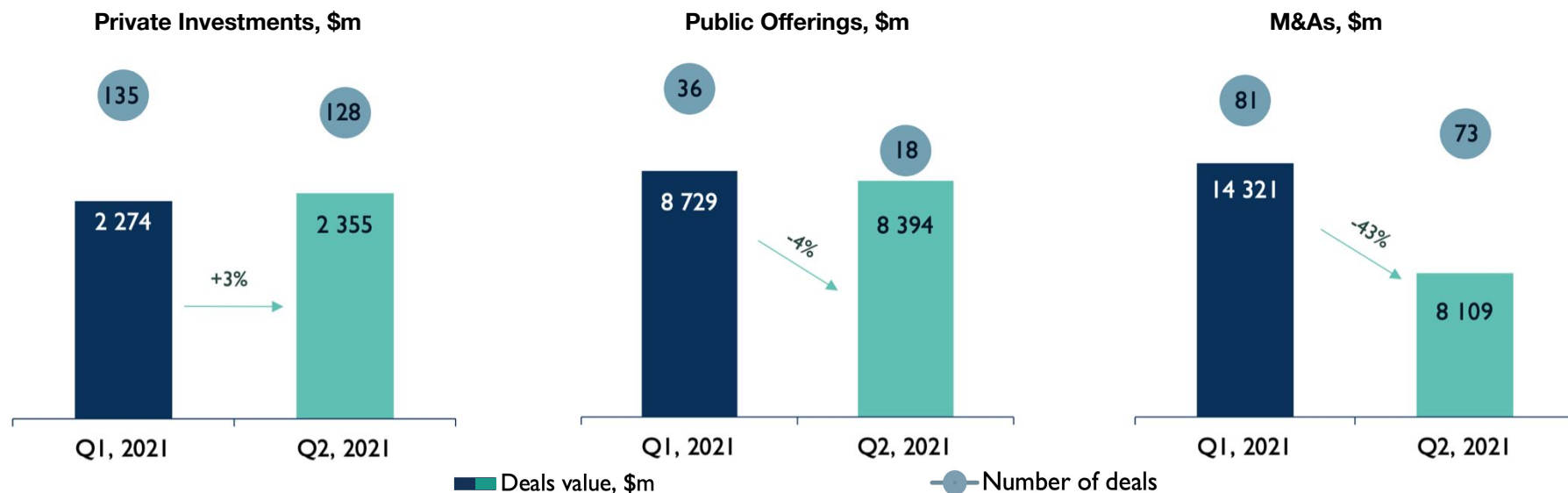
- The first half of 2021 has seen **tremendous growth** in gaming M&A, with a whopping \$22.4B value distributed across 154 deals. **This already exceeds a record full 2020 year** with \$12.6B across 218 deals
- Such an **increase** is driven primarily by **a plethora of closed mega-deals** representing over 75% of total value, including Zenimax (\$7.5B) and Moonton (\$4B) closed in Mar'21, Glu Mobile (\$2.1B), Gearbox (\$1.4B) and Adjust (\$1B) in Apr'21, and Codemasters (\$1.2B) in Feb'21



Note: (*) only closed deals are reflected in the graphs (excl. Playdemic, Sumo Digital, and other deals in process)

Transactions Activity Q2'21 vs. Q1'21

- **Despite the declining number** of private investments (128 vs. 135) and public offerings (18 vs. 36), **the deal value remains sustainable**, showing similar results. However, significant part of the large transactions closed in Q2'21 were announced back in Q1'21 (AppLovin, Glu Mobile, ironSource, Gearbox, Adjust, Easybrain, Aspyr)
- **Decrease in M&A deal value** from \$14.3B to \$8.1B in Q2'21 can be mostly attributed to a strong base in Q1'21, **influenced** by Zenimax \$7.5B deal
- Based on the recent announcements of EA (acquires Playdemic for \$1.4B) and Tencent (acquires Sumo Digital for \$1.3B), we assume that the second half of 2021 **will witness even more interesting deals**



Top-15 VC Funds by Deal Activity in H1'21

| Rank* | Venture Capital Fund | # of total deals | Total deal value**, \$m | # of leading deals | Leading deals value**, \$m | Selected lead deals | Stage type |
|-------|-------------------------|------------------|-------------------------|--------------------|----------------------------|--|------------|
| 1 | BITKRAFT Ventures | 12 | 191.5 | 10 | 54.0 | Resolution Games, Anzu, Pocket Worlds | Early |
| 2 | Makers Fund | 8 | 319.1 | 5 | 171.6 | Dream Games, Lightheart, Savage Game Studios | Early |
| 3 | Index Ventures | 5 | 319.5 | 4 | 308.5 | Dream Games (Series A&B), Rec Room | Late |
| 4 | Hiro Capital | 7 | 31.2 | 6 | 22.2 | Double Loop, Snowprint, FRVR, Twin Suns | Early |
| 5 | Griffin Gaming Partners | 6 | 274.5 | 2 | 237.0 | Forte, Overwolf | Early/Late |
| 6 | Galaxy Interactive | 7 | 82.0 | 3 | 46.5 | Bad Robot Games, 1047 Games, rct AI | Early/Late |
| 7 | VGames | 5 | 20.3 | 4 | 13.8 | Candivore, Boom Corp., Funtra | Early |
| 8 | Ludus Venture Studio | 5 | 3.7 | 5 | 3.7 | Hey Games, Fortune Mine, Jambox, Goama | Early |
| 9 | The Games Fund | 4 | 3.5 | 4 | 3.5 | Jarvi Games, Purple Games, Vandrouka Games | Early |
| 10 | Konvoy Ventures | 4 | 29.8 | 2 | 7.3 | Carry1st, Quicksave Interactive | Early |
| 11 | EQT Ventures | 2 | 17.5 | 2 | 17.5 | Colossi Games, Hiber | Early |
| 12 | WePlay Ventures | 4 | — | 4 | — | — | Early |
| 13 | Lumikai | 2 | 10.5 | 2 | 10.5 | All-Star Games, Loco | Early |
| 14 | Play Ventures | 6 | 106.6 | 1 | 1.2 | Clickwork Games | Early |
| 15 | Serena Capital | 1 | 14.0 | 1 | 14.0 | Powder | Early |

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









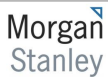



Top-15 Strategic Investors by Deal Activity in H1'21*

- In the first half of 2021 top-15 strategic investors have closed the total of 104 corporate and M&A deals with a total value surpassing \$21.4B
- While **Tencent and Embracer continue to lead the rating**, there were **new strong entrants**, including Electronic Arts, Sony and ByteDance
 - Sony was very diverse in its investment strategy, participating in 6 funding rounds and acquiring stakes in 3 companies, — all across multiple sectors (esports, cloud, platform, and gaming)
- Apart from Microsoft, the top-3 strategic investors in terms of the deal value include **Electronic Arts, Embracer, and ByteDance**
 - EA demonstrates one of its most active M&A years with 3 closed (Codemasters, Metalhead, Glu Mobile) and 1 announced (Playdemic). The company substantially enhances its mobile presence, and increases its sport product pipeline, adding racing and baseball games
 - Apart from closing the acquisitions of Gearbox, Easybrain, and Aspyr for \$2.6B (announced in Q1'21), Embracer bought 4 more small gaming studios for a total of \$14.8m in Q2'21
 - ByteDance expands further in gaming with the acquisition of 2 studios, including Moonton for \$4B and C4games (through its subsidiary Nuverse), and corporate investments in Reworld and Madfinger Games
- **Tencent leads the playfield** by deal count focusing on PC&console and closing a total of 53 deals. In Q2'21 the company continued to invest in overseas markets (Bad Robot Games, Remedy Entertainment, Yager and The Outsiders), as well as to consolidate Chinese gaming market with 15 transactions

| Rank** | Strategic Investor | # of deals | Value, \$m | Deal Type | Investment Focus |
|--------|----------------------------|------------|------------|-----------------|---------------------------|
| 1 | Tencent incl. subsidiaries | 53 | 800+ | M&As, Corporate | PC&console, mobile, cloud |
| 2 | Embracer Group | 7 | 2 608 | M&As | PC&console, mobile |
| 3 | Sony Corp. | 9 | 400+ | M&As, Corporate | PC&console |
| 4 | Electronic Arts | 4 | 4 700 | M&As | PC&console, mobile |
| 5 | ByteDance | 4 | 4 025+ | M&As, Corporate | Mobile |
| 6 | Epic Games | 5 | 600+ | M&As, Corporate | Tech, PC&console |
| 7 | Stillfront Group | 4 | 308 | M&As | Mobile, PC |
| 8 | Take-Two Interactive | 3 | 378 | M&As, Corporate | PC&console, mobile |
| 9 | Zynga | 3 | 250+ | M&As | Mobile, PC&console |
| 10 | Microsoft | 1 | 7 500 | M&As | PC&console |
| 11 | AppLovin | 1 | 1 000 | M&As | Tech |
| 12 | NetEase | 4 | 93 | Corporate | Multiplatform, Platform |
| 13 | Keywords Studios | 3 | 120 | M&As | Outsourcing |
| 14 | Enad Global 7 | 2 | 205 | M&As | PC&console, mobile |
| 15 | MY.GAMES / MGVC | 6 | 20+ | M&As, Corporate | Mobile, cloud |

Note: (*) including recently announced and unclosed transactions; (**) based on internal weighted average ranking system

Top-10 Sell-side Advisors by Deal Activity in H1'21*

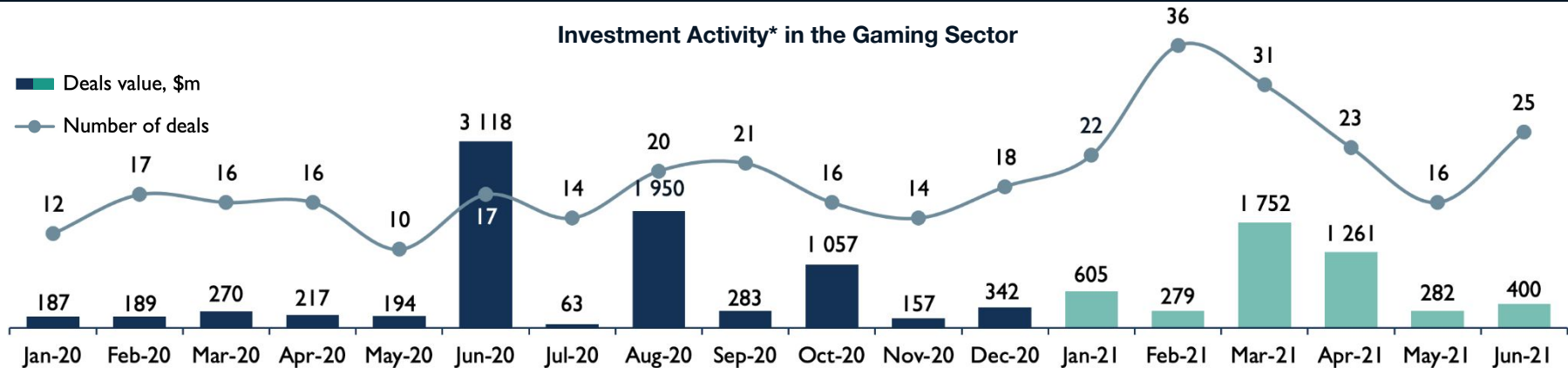
| Rank | Sell-side advisor | # of deals* | Deal value, \$m** | Transactions |
|------|---|-------------|-------------------|---|
| 1 |  | 2 | 9 600 | ZeniMax Media (<i>exclusive</i>), Glu Mobile (<i>non-exclusive</i>) |
| 2 |  | 2 | 1 400+ | Easybrain, Jagex (<i>all exclusive</i>) |
| 3 |  LionTree | 1 | 1 400 | Playdemic (<i>announced; exclusive</i>) |
| 4 |  | 1 | 1 200 | Codemasters (<i>exclusive</i>) |
| 5 |  | 1 | 500+ | Tonic Games Group (<i>exclusive</i>) |
| 6 |  OakvaleCapital LLP | 1 | 200+ | Super Free Games (\$150m upfront + estimated earn-out; <i>exclusive</i>) |
| 7 |  | 1 | 450 | Aspyr (\$100m upfront + \$350m earn-out; <i>exclusive</i>) |
| 8 |  | 1 | 130+ | Innova (<i>exclusive</i>) |
| 9 |   UBS | 1 | 2 100 | Glu Mobile (<i>non-exclusive</i>) |
| 10 |   | 1 | 1 378 | Gearbox (<i>non exclusive</i>) |

Note: (*) the table includes closed deals with control sale and transaction size (incl. earn-out) higher than \$80m; (**) estimated deal size

Gaming Companies

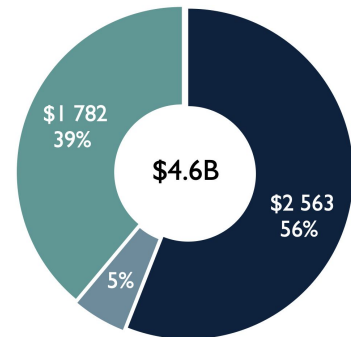
Gaming: Investment Activity

Investment Activity* in the Gaming Sector



- We observe **solid growth in Gaming investment activity** in H1'21 compared to H1'20, with \$4.6B (+10% YoY) capital raised across 153 deals (+74% YoY):
 - **Over half** of total **raised capital** in H1'21 belongs to **three largest transactions**: Epic Games \$1B round; share issue of \$890m by Embracer Group, and Roblox pre-IPO round of \$520m
 - **Corporate investment activity** represented around 30% of total number of closed deals in H1'21, and was **largely driven by Tencent**
 - Among VC **early-stage deals took the lion's share of 88%** in number of closed VC deals, whereas 5 late-stage deals contributed \$1.9B or **almost 75%** of all VC deals value in H1'21, including Epic Games, Roblox, Dream Games, Rec Room, and Manticore Games
- In Q2'21 investment activity **notably dropped in both deal value** (\$1.9B, -26% QoQ) and number of deals (64, -28% QoQ)

H1: Value of Deals, \$m

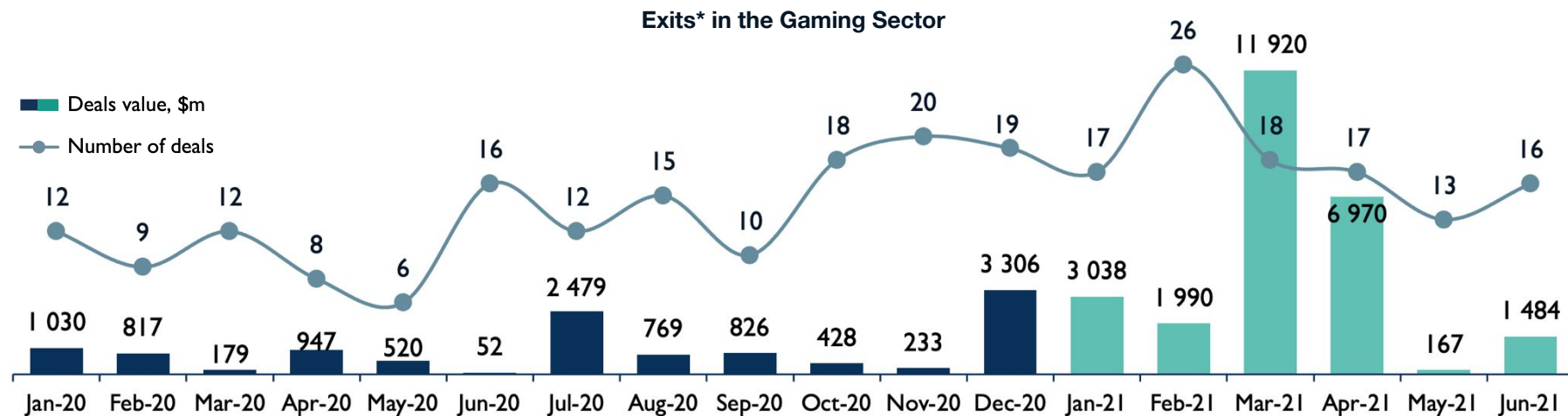


VC Corporate PIPE, Other

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

Gaming: Exits Activity

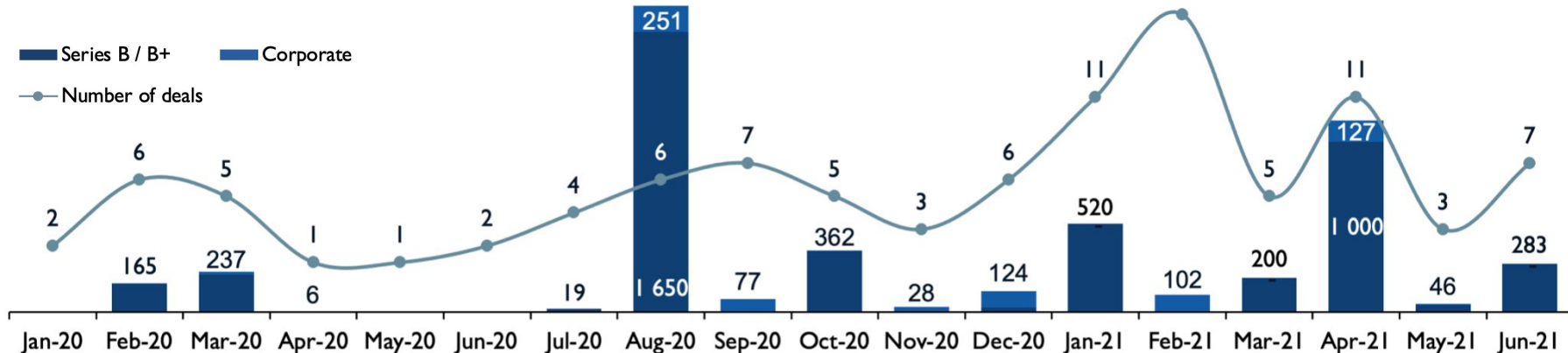
- Exits* of gaming companies showed **substantial growth**, reaching \$25.6B value (vs. \$3.6B in H1'20) across 107 deals (vs. 63 deals in H1'20)
- So far **the largest exits** by valuation include Roblox direct listing at \$38B valuation, AppLovin IPO at \$25B, and Playtika IPO at \$15B
- M&A continues to be the **major exit path**; however, **its share dropped** from 93% in H1'20 to around 80% in H1'21, as a result of an **increasing public exits activity** with many notable gaming companies going public: Playtika, AppLovin, Huuuge, TinyBuild, Roblox, and Playstudios
- During H1'21, overall **11 companies went public** with a \$5B deal value (compared to 11 IPOs and \$0.9B value in the full previous year)
- Remarkably, several gaming companies selected **an untraditional road to public markets**: SPACs (Playstudios closed; Nexters planning Q3'21; Jam City cancelled) and direct listing (Roblox)



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

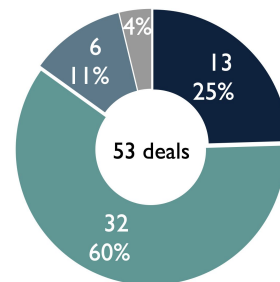
Gaming: Late-stage VC & Corporate

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



- Following a healthy activity in H2'20, the total value of late-stage VC and corporate deals reached \$2.3B across 53 closed deals in H1'21, although **much of the value** attributed to a few outsized fundraises:
 - In April, Epic Games raised \$1B at \$28.7B valuation, including a \$0.2B strategic investment from Sony
 - CA-based cross-platform game developer Roblox raised \$0.52B in Series H (pre-IPO) round at \$29.5B valuation, with Altimeter Capital and Dragoneer Investment Group leading the round
 - After raising Series A round, Dream Games closed \$155m Series B round, led by Index Ventures and Makers Fund
- Corporate investment activity** has been significantly gripped by Tencent 33 deals in both global and local markets
- Mobile studios remain **the hottest area of investment**, accounting for almost 60% of total number of transactions

H1: # of Late-stage Deals

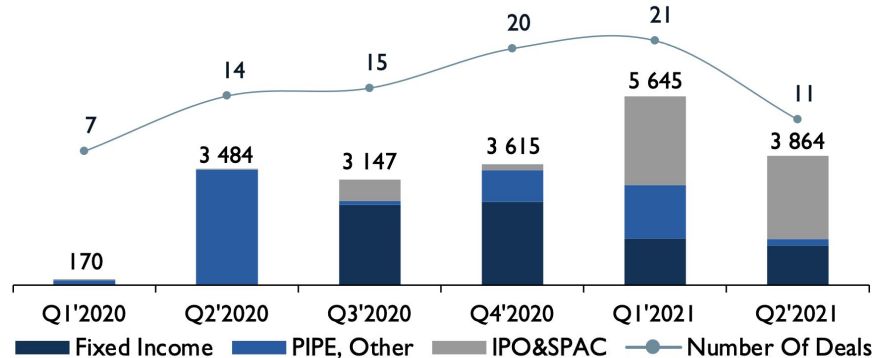


Multiplatform
 Mobile
 PC&Console
 VR/AR

Gaming: Public Offerings

- While H1'21 public offerings value showed continuing growth and reached \$9.5B compared to \$3.7B in H1'20, many public gaming companies **struggle with falling share prices**
- Moreover, among newly listed gaming companies **only Roblox and tinyBuild** demonstrated positive share price dynamics since initial price, whereas Playtika, Huuuge, AppLovin, and Playstudios dropped **on average by 20%**
- This partially explains **a decrease of public offering activity** in both deal value and number of deals in Q2'21, even though most of closed deals were announced in Q1'21
- Only few companies (Trophy Games, Mighty Kingdom) announced IPO plans in Q2'21

Public Market Activity in the Gaming Sector, in \$m



Note: (*) not included in the dataset

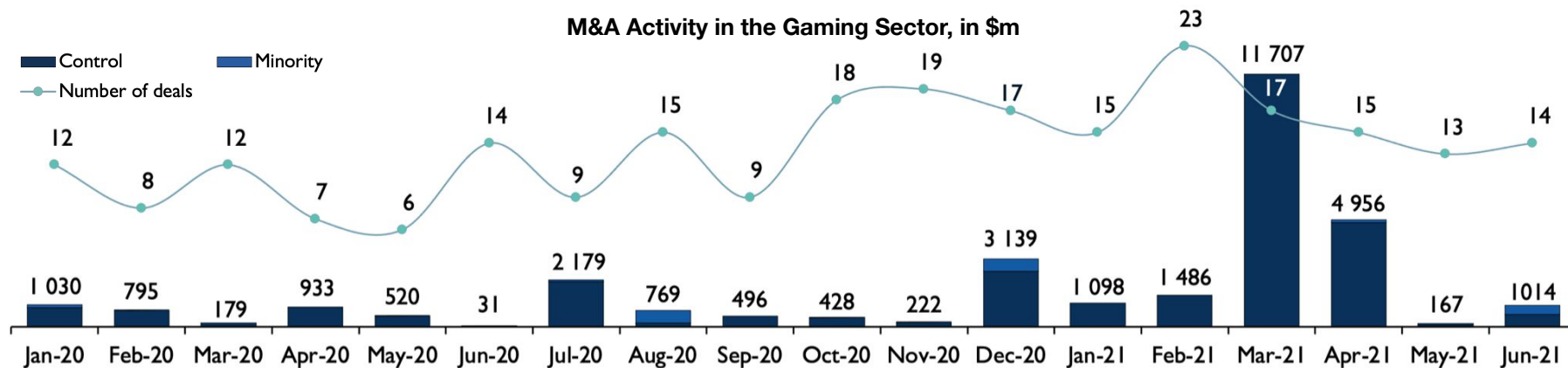
Notable Public Offerings Transactions (excl. IPOs)

| Date | Target | Deal type | Size, \$m | Platform |
|--------|-----------------|--------------|-----------|---------------|
| Feb'21 | Electronic Arts | Fixed-income | 750 | Multiplatform |
| Mar'21 | Playtika | Fixed-income | 600 | Mobile |
| Mar'21 | Embracer Group | PIPE | 890 | Multiplatform |
| Jun'21 | Embracer Group | Fixed-income | 690 | Multiplatform |

Notable announced IPOs and de-SPACs

| Closed date | Target | Deal type | Size, \$m | Platform | Status |
|-------------|--------------|-----------|-----------|---------------|-----------------|
| Jan'21 | Playtika | IPO | 1 880 | Mobile | closed |
| Feb'21 | Huuuge Games | IPO | 450 | Mobile | closed |
| Mar'21 | Roblox | IPO | n/a | Multiplatform | closed |
| Mar'21 | tinyBuild | IPO | 213 | Multiplatform | closed |
| Apr'21 | AppLovin | IPO | 2 000 | Mobile | closed |
| Jun'21 | Playstudios | de-SPAC | 465 | Mobile | closed |
| — | Nexters* | de-SPAC | 300 | Mobile | Announced Q1'21 |
| — | Krafton* | IPO | 3 700 | Multiplatform | Announced Q1'21 |

Gaming: M&As



- M&As got a vast growth in H1'21: while the number of deals is on a torrid pace with 97 closed (+64% YoY), **value is even hotter** with \$20.4B (+486% YoY) closed and additional \$2.2B of announced deals
 - **Deals above \$1 billion** played a crucial role accounting for around 80% of total closed deal value
- **Cross-border transactions** lead the list of deals above \$80m, accounting for over 70% of total deal count — this is likely to continue going forward
- **M&A activity shifted from mobile to PC&console** with 27 vs. 46 closed transactions respectively in H1'21

Largest Mergers and Acquisitions

| Closed Date | Target | Buyer | Size*, \$m | Platform | Status |
|-------------|-------------|-----------|------------|------------|-----------|
| Feb'21 | Codemasters | EA | 1 200 | PC&console | closed |
| Mar'21 | ZeniMax | Microsoft | 7 500 | PC&console | closed |
| Mar'21 | Moonton | ByteDance | 4 000 | Mobile | closed |
| Apr'21 | Gearbox | Embracer | 1 378 | PC&console | closed |
| Apr'21 | Glu Mobile | EA | 2 100 | Mobile | closed |
| — | Playdemic | EA | 1 400 | Mobile | announced |

Note: (*) deal size includes earn-out considerations

Appendix

InvestGame Patreon

The free version of this report includes general market + Gaming segment data. To get the data on Platform&Tech, Esports, and Other deals data, please contact us at digest@investgame.net

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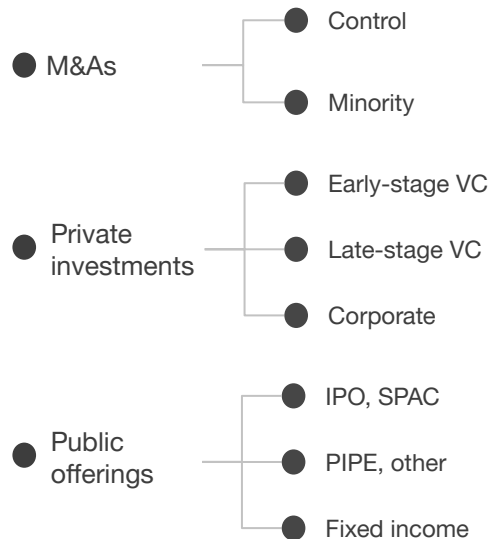
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Methodology & Glossary

InvestGame tracks closed transactions (unless otherwise noted) in the Video Game industry with target-companies having core business operations related to the video games market. Please note that we do not track pure gambling and betting companies. All deals values are given in U.S. dollars or converted to U.S. dollars at the prevailing spot rate from the closing date of transaction.

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.

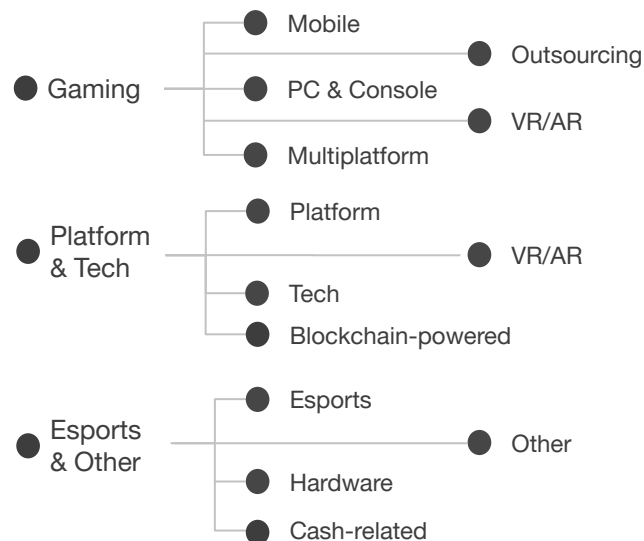
Deal Types Overview



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 lead VC fund
- **Late-stage VC** — Series B, Series C, and later-lettered venture rounds
- **Corporate Investments** — investment 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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