

Q3 2023

GAMETECH REPORT

GLOBAL & MENAP OUTLOOK

**SHOROQ
PARTNERS**
GAMING

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TAREK FOUAD
PARTNER, SHOROOQ PARTNERS

In today's ever-evolving digital landscape, the gaming industry stands as a beacon of innovation and limitless creativity. It is a realm where imagination knows no bounds, where players embark on epic adventures, and where the boundaries between reality and fantasy blur. Within this dynamic universe, however, lies a complex tapestry of challenges, opportunities, and transformative trends that define the present and future of gaming.

This report serves as a comprehensive exploration of the gaming industry, offering a deep dive into multifaceted aspects that shape its trajectory. I am delighted to introduce you to this invaluable resource that unveils the intricacies of a rapidly evolving ecosystem. One of the pivotal issues addressed in this report is the phenomenon of layoffs within the gaming industry. Despite its growth, gaming companies have witnessed restructuring, and this report carefully dissects the underlying factors driving these transformations. Furthermore, it provides profound insights into how these changes are poised to reshape the industry in the years to come.

We also delve into various critical aspects of the gaming industry and examine the pricing dynamics of leading game engines, highlighting their impact on developers and the gaming community.

The report doesn't stop there; it also delves into the preferences and behaviors of gamers in the MENA region, offering insights into their gaming habits and unique characteristics. Additionally, it addresses the payment infrastructure and challenges specific to this diverse region, emphasizing the need for innovation and adaptability.

Lastly, the report presents a visionary investment thesis in Artificial Intelligence (AI) within gaming, showcasing AI's potential to revolutionize gameplay and create immersive experiences. It positions AI as a unique investment opportunity that will shape the future of gaming.

In conclusion, this report serves as a valuable guide to navigate the ever-evolving gaming industry. Whether you're an industry professional, investor, developer, or gaming enthusiast, the insights presented here will inform and inspire your journey.

**THANK YOU TO ALL OUR CONTRIBUTORS
AND PARTNERS**



APPMAGIC



Q3 2023

MARKET DASHBOARD

GLOBAL (YTD)



\$250bn+

GLOBAL GAMING MARKET SIZE
+9.9% CAGR



2000+

Q3 GAMING INDUSTRY
LAY-OFFS



\$400mm+

GLOBAL GAMING VC
INVESTMENTS

MENAP (YTD)



\$5bn+

MENA GAMING
MARKET SIZE



+6.8%

YoY INCREASE IN MENA
CONSUMER SPEND



\$2.5mm+

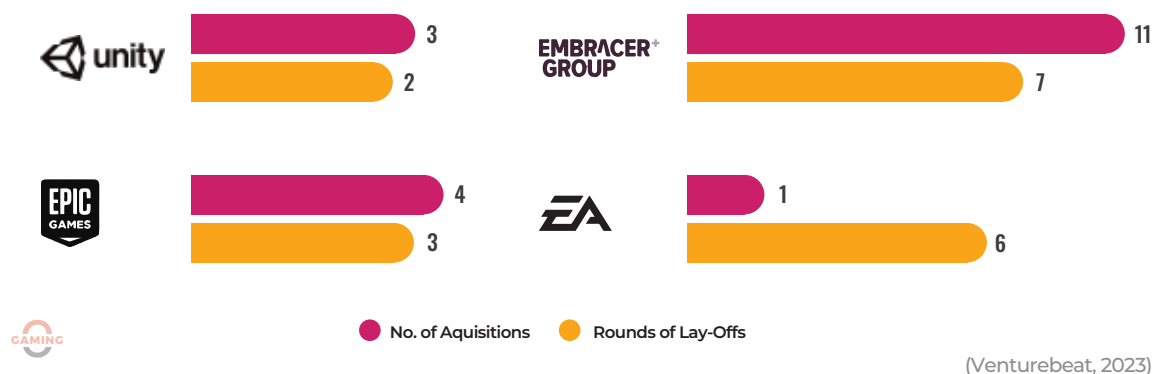
Q3 MENAP
VC INVESTMENT

Q3 2023

GLOBAL OUTLOOK

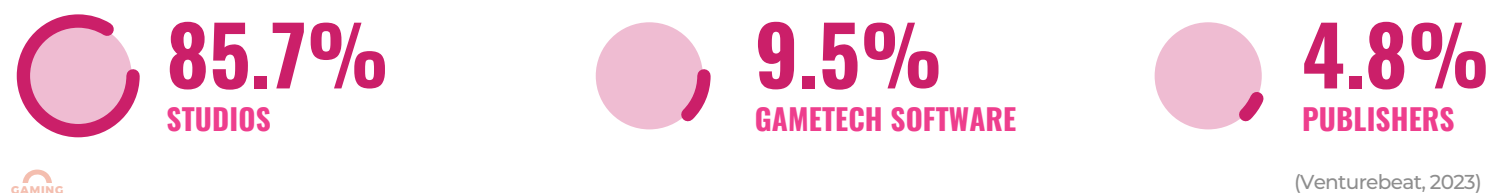
2000+ LAY-OFFS IN THE GAMING INDUSTRY IN Q3'23 DUE TO M&A ACTIVITY AND A FOCUS ON EFFICIENCY

COMPANY AQUITIONS & ROUNDS OF LAY-OFFS IN 2023



In Q3'23, economic uncertainties triggered significant layoffs in the gaming industry, impacting over 2,000 professionals. Companies like Embracer Group, Unity, Epic, and EA played a major role in this, primarily in markets where talent is more costly such as US, Canada and Australia. While this has affected the entire technology sector with giants like Microsoft cutting 28,000 jobs in 2023.

TYPE OF COMPANIES ACQUIRED IN 2023



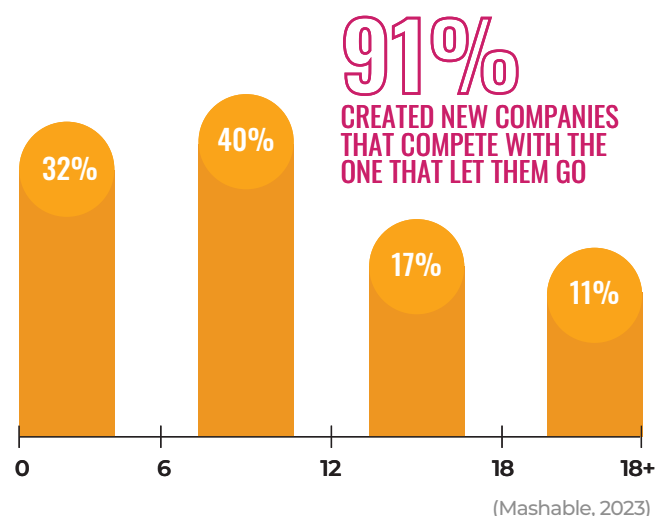
This trend reflects a heightened focus on efficiency, prompting CEOs to cut costs and streamline operations. Developers, particularly in studios, bore the brunt of this, mirroring industry M&A trends, while software segments aimed at process optimization also witnessed notable layoffs. However, one continued challenge is the significant pay gap between execs and lower management at these companies. This makes it very expensive for gaming companies to acquire senior talent and also jeopardizes mid - level management to be the first to be laid off.

Looking ahead to Q4'23 and beyond, layoffs driven by M&A and restructuring will continue to shape the landscape. Prioritizing profitability and reducing development costs while leveraging user-generated content (UGC) are key strategies.

40% OF LAID-OFF EMPLOYEES WILL GO OUT TO BUILD NEW COMPANIES IN THE NEXT 6-12 MONTHS

TIME REQUIRED FOR LAID OFF EMPLOYEES TO START A NEW COMPANY

13% OF LAID-OFF EMPLOYEES, GO OUT TO START THEIR OWN BUSINESSES



In a notable shift, gaming companies are pivoting towards profitability over relentless growth, a change underscored by the recent wave of layoffs within the industry. This shift has a ripple effect in the job market, prompting an increase in entrepreneurship. Layoffs are now inspiring many professionals, particularly software engineers and managers, to take the entrepreneurial plunge.

This trend is likely to lead to a surge in early-stage startups, driven by talent that was once employed by larger gaming corporations. The desire for financial security and personal control over their careers is a powerful motivator. Investor sentiment is also experiencing a transformation. As the gaming industry becomes more profit-oriented and cost-conscious, investors are becoming more selective and risk-averse. They seek ventures with a clearer path to profitability, potentially changing the investment landscape.

This evolution in the gaming industry isn't limited to its immediate impact but extends to emerging markets. Cost-cutting measures are driving the relocation of jobs to these regions, leading to the creation of job opportunities and boosting economic activity. However, it can also introduce challenges such as wage inflation. As more startups enter the market, they may need to offer higher salaries to remain competitive. This wage inflation can be a positive outcome for employees, as they have more negotiating power, but it can also pose challenges for companies, particularly smaller ones, as labor costs rise.

HOW DID THE RECENT LAYOFFS AFFECT THE TALENT LANDSCAPE IN GAMING?



Jason Richardson
Co-founder, Level Up



Recent layoffs in the gaming industry have made it challenging to identify a specific skill set or role most affected due to the diverse nature of these situations. For example, SEGA's cancellation of the multiplayer extraction shooter 'Hyenas,' developed by Creative Assembly, impacted a wide range of professionals, including developers, designers, and artists crucial to the game's creation.

On the other hand, Epic Games laid off approximately 16% of its workforce, about 830 employees. Interestingly, a significant portion of these layoffs didn't directly affect core development roles, indicating a strategic reshuffling that spared more project-centric positions while still reflecting industry-wide challenges and transitions.

Despite recent layoffs, the gaming industry continues to show a robust demand for talent. A notable trend is the increasing recruitment of individuals from non-traditional gaming backgrounds, such as artists from the film industry and engineers from conventional software and product companies. This cross-industry migration is reshaping the talent pool, with the proportion of software engineers hired from within the industry decreasing from 70% to 53% over the last three years.

Looking ahead, as the industry shifts towards VR/AR technologies, there is an anticipated heightened demand for developers with experience in these domains, irrespective of their industry origins. The demand for Unreal Engine developers remains strong, emphasizing the engine's enduring relevance in game development. This evolving landscape reflects a dynamic and inclusive approach to talent acquisition, meeting the industry's innovative and diverse needs.

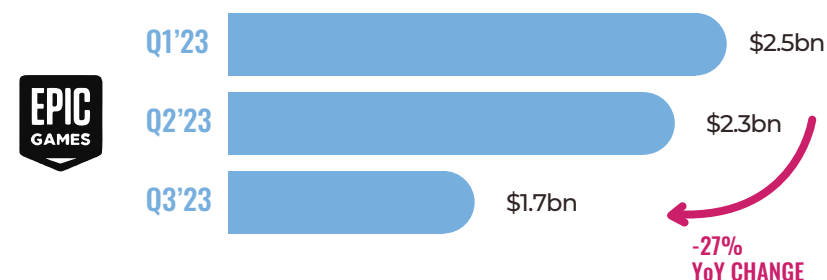
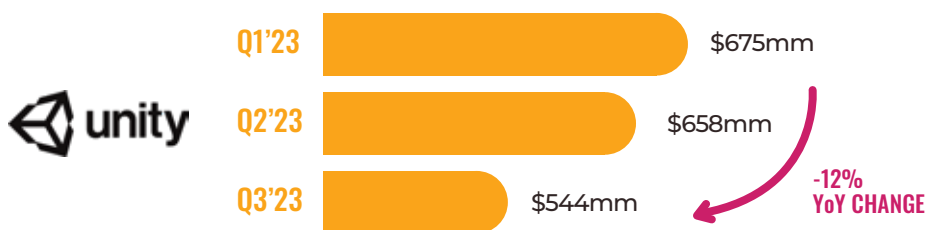
ABOUT LEVEL UP

Founded in 2016, Discovered was created in order to change the conventional recruitment stigma and stereotype.

Designed to offer employees the trust and freedom required of a modern-day employee, whilst focusing on building communities and networks, and creating lasting relationships with our partners, rather than transactional business. Powered by award-winning talent brand Discovered. Level Up is an international talent partner to the video games & immersive tech industry.

GAME ENGINE PRICING SHIFTS IS OPENING UP ROOM FOR NEW ENTRANTS

QUARTERLY REPORTED REVENUE IN 2023



(Gameindustry.biz, 2023)

The recent pricing changes by Unity and Epic Games, two prominent game engine providers, are driven by evolving industry dynamics and financial pressures. Unity's introduction of a new Runtime Fee, based on installations rather than revenue, is intended to support innovation and growth but poses challenges for small and indie developers where revenues do not off-set the new fees and are likely to be priced out of using these engines. In fact, these changes could also lead to increased competition between game engines.

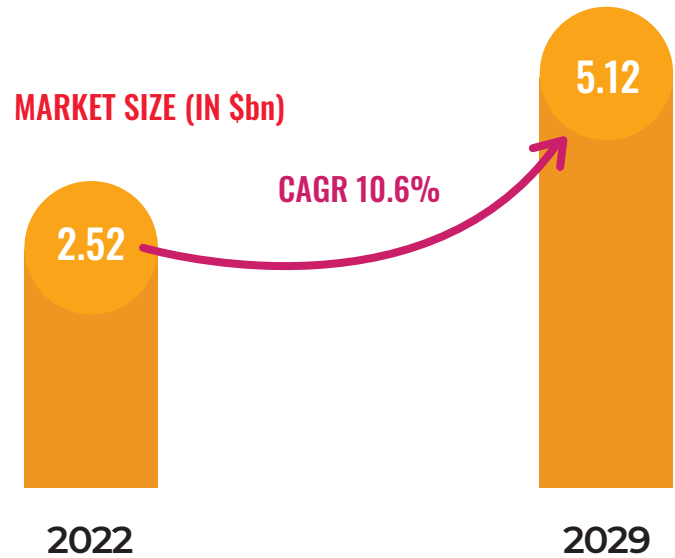
Other game engines, such as Godot and CryEngine, offer more affordable pricing options, which could make them more attractive to small and indie developers. While limited in capabilities, we do see these engines leverage AI and integrated cloud services to catch up quicker.

For investors, this is an exciting time to examine innovation in engines and learn from how the model has operated previously. Unreal, which has dominated the AAA development space has been piggy backing off of revenues from Fortnite and Unity with its aggressive revenue model has also seen a decline in revenue over the last quarter. Not only do we expect to see new entrants in the market, but we also expect to see new business models that are empowering developers to focus on innovation without being worried about covering high dev margins.

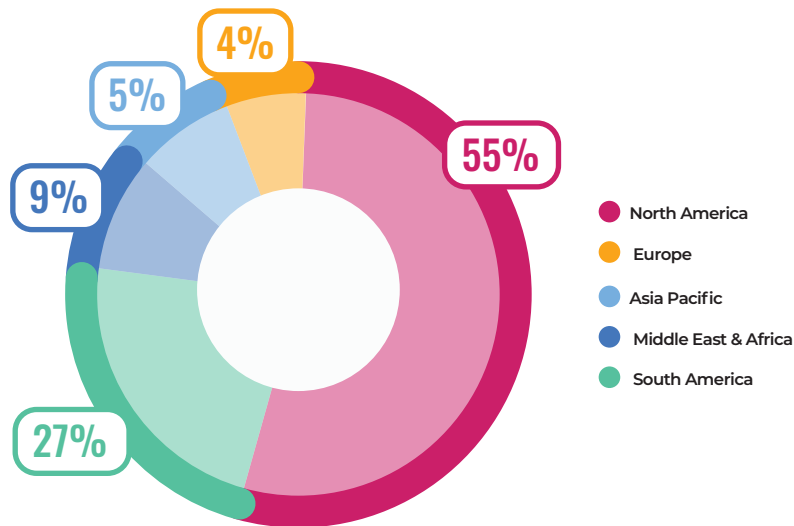
GAME ENGINE KEY PLAYERS



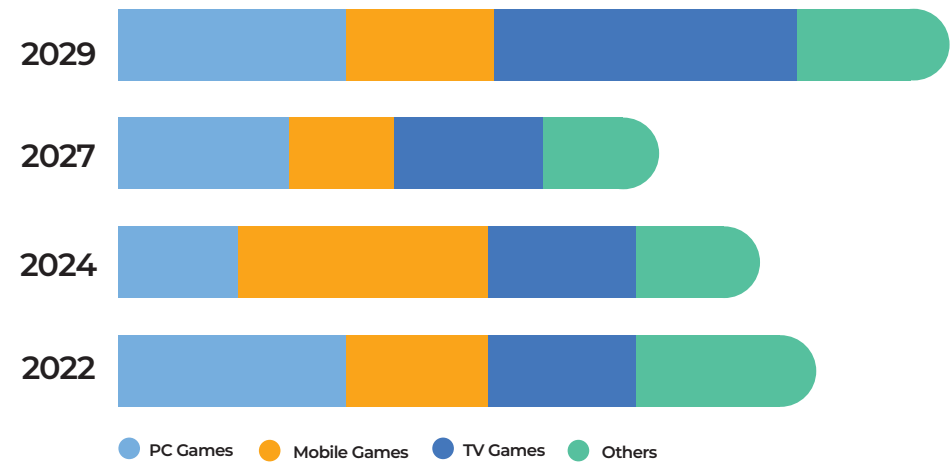
MARKET SIZE (IN \$bn)



MARKET SIZE GEOGRAPHIC FOOTHOLD



TYPES OF GAMES DEVELOPED ON THIRD-PARTY ENGINES (2023 - 2029)



(MMR, 2023)

STUDIOS LOOKING FOR PROFITABILITY TARGET EMERGING MARKETS HUNGRY FOR LOCALIZED CONTENT

EMERGING MARKETS DEMOGRAPHIC AS OF 2023

COUNTRY	POPULATION (IN MILLIONS)	GAMERS (IN MILLIONS)	GAMERS (%)
China	1,400	446.3	31%
Vietnam	93.4	33.9	36%
Brazil	203.7	33.6	16.5%
Thailand	67.4	17.2	25%
Philippines	102	30.4	30%
Mexico	125.2	46.8	37%
Indonesia	255.7	42.8	16.7%
Turkey	76.7	22.4	29%

Emerging markets, including nations like Brazil and Vietnam, are poised to become gaming industry hotspots. These regions boast a growing player base thanks to an expanding middle class and a tech-savvy youth population. Mobile gaming, in particular, is on the rise.

The cost-efficiency and tax incentives in emerging markets attract developers and save on operational costs. Favorable exchange rates further boost profit margins, making these regions lucrative for the industry. Additionally, diverse cultures lead to unique gaming preferences and a demand for localized content.

TOP REASONS GAMING COMPANIES TARGET EMERGING MARKETS:

- 1 TALENT COSTS
- 2 TAX INCENTIVES
- 3 FAVORABLE EXCHANGE RATES
- 4 UNIQUE GAMING PREFERENCES

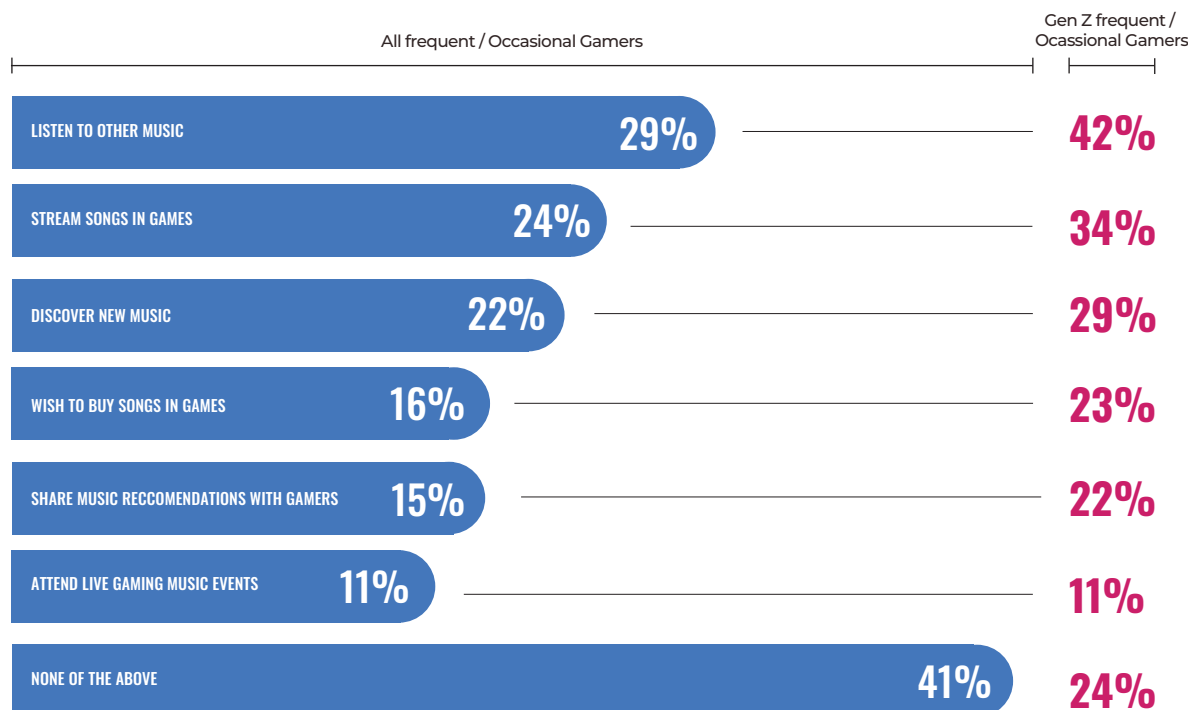


(Mirae Assets, 2023)

Looking ahead, we predict a significant shift in the gaming landscape. Developers will increasingly target emerging markets, leading to a more diverse array of culturally relevant games. This will result in a broader and more engaged player base, surges in revenue, and heightened creative innovation. Emerging markets will also be a lucrative target for investors where investment dynamics are favorable.

26%+ OF GEN Z GAMERS ARE NOW LOOKING FOR RICH MUSIC EXPERIENCES IN THEIR GAMES

USERS ENGAGE IN SOME OF THE FOLLOWING ACTIVITIES WHILE PLAYING GAMES



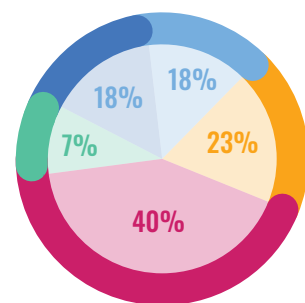
(Deloitte, 2023)

Gen Z's unique relationship with music and gaming is poised to reshape the future of game development. The fusion of these two forms of entertainment is evident in striking statistics. Gen Z gamers have established a strong bond with music in the gaming realm. A significant 42% of them enjoy gaming while simultaneously listening to music, underscoring the symbiotic connection between these two realms. Notably, 34% of Gen Z gamers actively seek out and explore music featured in games, subsequently searching for it online to stream or purchase.

This burgeoning association between gaming and music reveals untapped potential, where a substantial portion—nearly a quarter—expresses a desire to purchase in-game music or conveniently add it to their personal playlists. Moreover, a comparable segment eagerly shares music recommendations with fellow gamers online, highlighting the social dimension of this evolving dynamic. As a result, the future of game development is predicted to witness more seamless and enhanced integration of music into gaming experiences. Collaborations between game and music companies will likely flourish, offering players a more immersive and engaging environment. Furthermore, the rise of in-game music events, coupled with greater support for content creators and influencers, is expected to become a prominent trend. This transformation heralds a new era where music and gaming coalesce seamlessly, driven by the preferences of the dynamic Gen Z generation.

AI IN GAMING IS CONVERGING TO FOCUS 88% OF ITS' USE CASES ON PRODUCTION AND PRE-PRODUCTION

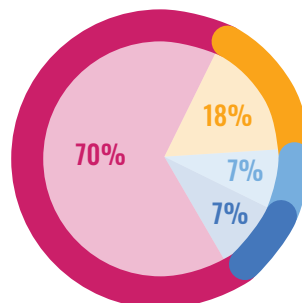
BARRIERS TO USING GENERATIVE AI



- Integration
- Training the Data
- Lack of Capabilities
- Legal / Regulation
- Cost



USE OF GENERATIVE AI IN 5-10 YEARS



- PreProduction
- Production
- Testing & Launching
- PostLaunch

(Bain and Co, 2023)

Generative AI is poised to transform the gaming industry, with expectations that it will play a pivotal role in more than half of the video game development process over the next 5 to 10 years. Conversations with gaming industry executives reveal their high hopes for generative AI and machine learning, believing it will have a more significant impact on the industry than other transformative technologies like virtual or augmented reality and cloud gaming. Generative AI will enhance game quality and expedite the time it takes to bring games to market. It is also predicted to enable broader, more immersive, and highly personalized gaming experiences. However, only 20% of executives expect it to lead to cost reduction, which may disappoint some, given the soaring development costs of top-tier games.

Today, generative AI is primarily deployed during the preproduction phase, with companies like Blizzard Entertainment utilizing it to create concept art. Nevertheless, its application is expected to expand into production and later phases, particularly in areas such as story generation, nonplayable characters (NPCs), game assets, live ops, and user-generated content. AI equips NPCs with intelligence, enabling them to adapt to in-game conditions in unique and novel ways.

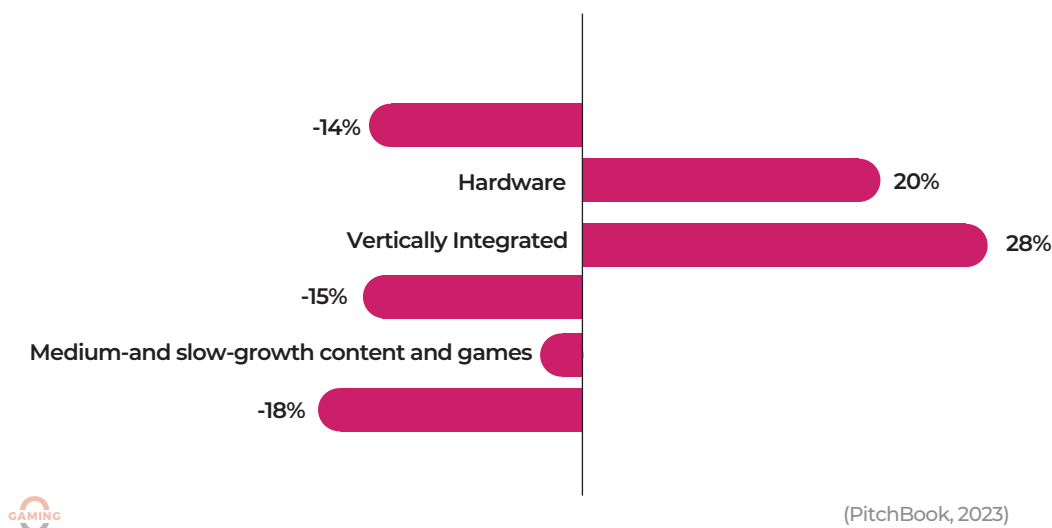
Generative AI's reach extends to various other functions, such as story and scenario generation, game assets creation, live operations, and user-generated content, promising a dynamic and evolving gaming landscape. Yet, realizing the full potential of generative AI comes with challenges, including addressing intellectual property and navigating a complex and evolving landscape, overcoming technical challenges, and managing talent implications are crucial for successful implementation. Despite the rise of generative AI, its role as a tool is to enhance human creativity, rather than replace it.

Q3 2023

GLOBAL INVESTMENT LANDSCAPE

VERTICALLY INTEGRATED PUBLIC GAMING COMPANIES OUTPERFORM S&P500 AND NASDAQ WITH +28% YTD STOCK PERFORMANCE IN Q3'23

YTD MEDIAN STOCK PERFORMANCE ACROSS GAMING CATEGORIES IN Q3'23



In Q3'23, the gaming industry showcased a mixed performance in stock returns. The S&P 500 and Nasdaq outperformed most categories with a 12% and 26% YTD climb, respectively. The vertically integrated category led with a 28% increase, followed by Hardware at 20%. However, fast growth content developers faced a downturn with a negative YTD median return of -18%. Individual stocks varied significantly, with AppLovin soaring at 279% and Rovio at 50%.

Looking ahead, the industry experiences shifts in where fast-growth content developers are expected to maintain double-digit growth. Hardware providers are set to transition from revenue contraction in 2022 to double-digit growth, while vertically integrated companies are poised for recovery with low-single-digit growth.

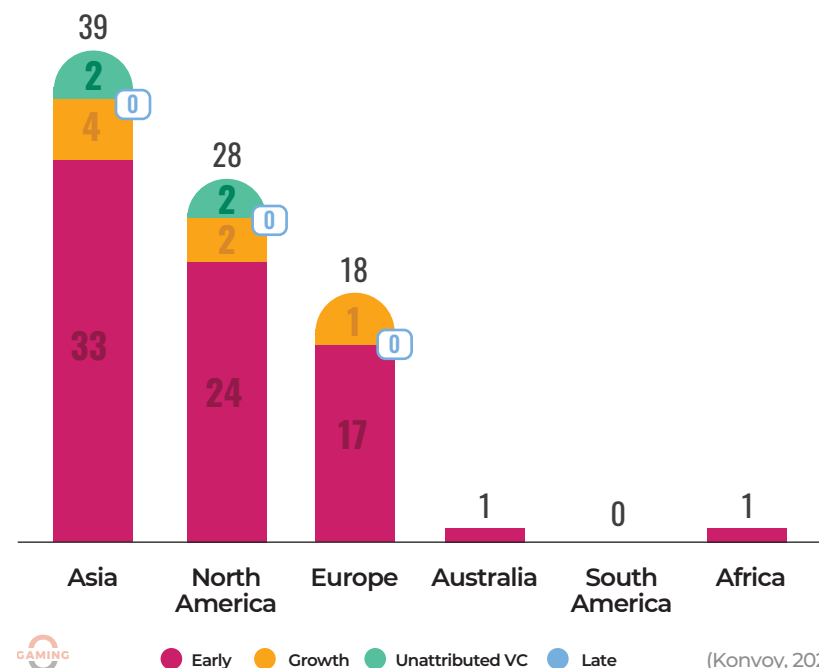
The Gaming industry witnessed a resurgence in M&A activities, notably led by Tencent and its subsidiaries, making five deals, including a majority acquisition of Techland. Playtika expanded its casual gaming portfolio with acquisitions of Innplay Labs & Youda Game, while Goldman Sachs and others made a \$1.72B offer for Kahoot.

M&A activity in 2024 is expected to set a positive tone, with more gaming companies considering listings in 2024. It will likely involve key players like Tencent, Sony, Take-Two, and Savvy Games Group / Scopely.

ASIA IS BECOMING A FOCUS FOR VC INVESTMENT, SECURING 48% OF Q3'23 VENTURE DEALS

50% CONTENT DEALS WERE INTO COMPANIES IN NORTH AMERICA

THE TOP 10 CONTENT DEALS TOTALED \$273.5mm THIS QUARTER (3X THAT OF GAMING TECH & PLATFORM)



In Q3'23, the gaming industry's venture capital (VC) investment landscape evidenced a return to pre-COVID levels, with \$454 million secured, marking a 9% decline from Q2. The trend throughout the year indicates a cautious recalibration of market investment after the pandemic's surge. This period's investments were predominantly in early-stage companies, suggesting an ongoing commitment to fostering new industry innovations. The geographic distribution of venture deals further contextualizes the global investment landscape, with Asia leading in transaction volume at 39 deals, followed by North America with 28, and Europe at 18. Notably, growth and late-stage investments were minimal, emphasizing the investor focus on early-stage opportunities. As the industry navigates this normalization phase, the future investment outlook is contingent upon economic stability and consumer gaming trends. A favorable economic recovery could stimulate VC activity; otherwise, a conservative investment approach may continue. The industry appears at a strategic inflection point, poised to balance innovative growth with sustainable business models, as highlighted by the concentration of early-stage deals across the key gaming markets.

M&A GAMING LEAGUE

TOP M&A BUYERS IN Q3'23

COMPANY	DISCLOSED DEAL VALUE (\$mm)	# OF DEALS	SELECT DEALS
  	\$45.0	5	  
 	\$4,900.0	3	  
SONY	-	3	  
bE HAVIOUR	-	3	  
Keywords Studios	\$115.0	3	  
Playtika	\$465.0	2	 
Embracer Group	-	2	 
SEGA	\$775.0	1	
 	-	1	
	-	1	

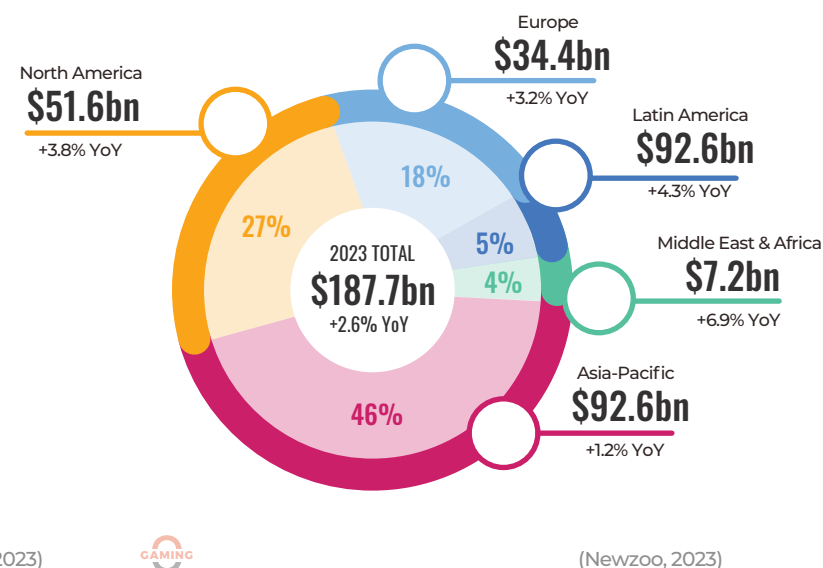
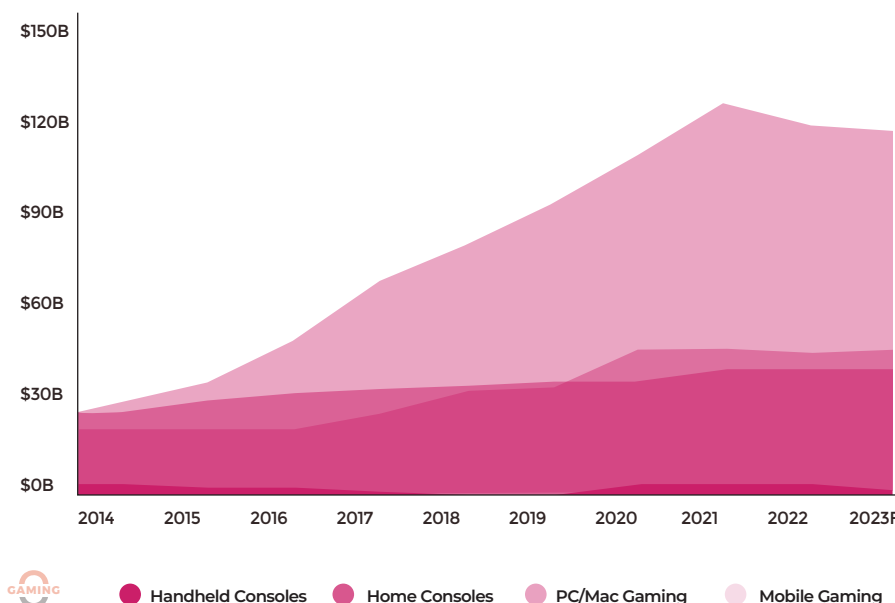
PC/CONSOLE
SEGMENT
DOMINATED
WITH 40%
OF M&A
DEALS

Q3 2023

MENAP OUTLOOK

MENA REMAINS RESILIENT AMID GLOBAL DOWNTURN, WITH A REMARKABLE 6.9% YOY GROWTH, SURPASSING OTHER MARKETS GLOBALLY

WORLDWIDE CONSUMER SPENDING IN GAMES 2023



Global consumer spending on mobile gaming, as well as year-over-year (YoY) growth percentages across various platforms, has witnessed a decrease compared to previous years. This decline in consumer spending can be attributed to the challenges faced by mobile publishers, primarily stemming from privacy-related monetization and user-acquisition issues resulting from policies implemented by Apple and Google. This has compelled mobile developers and marketers to adapt and experiment with new strategies, disrupting the segment's previous trend of rapid growth. Furthermore, several delays were caused by disrupted development plans during the COVID-19 pandemic, leading to underperformance.

Despite privacy challenges and disruptions caused by COVID, the MENA region stands out as the world's fastest-growing gaming market, boasting a 6.9% year-over-year (YoY) growth rate, compared to the global rate of 2.6%. The significant role played by governments in nurturing the gaming industry is evident, with Saudi Arabia leading the way by allocating nearly \$8 billion for the acquisition and establishment of ownership in global gaming brands.

Beyond government initiatives, the region's thriving gaming ecosystem can be attributed to its youthful and digitally-savvy population, with a staggering 70% of the people in the region being under 30 years old. High levels of connectivity and disposable incomes, particularly in Saudi Arabia, where the purchasing power per capita is \$11,030.69.

EGYPT GAMERS FAVOR CASUAL GAMES WITH 60% OF TOP PERFORMING GAMES BEING CASUAL AND HYPERCASUAL

TOP FREE-TO-PLAY GAMES IN EGYPT BY REVENUE IN Q3'23

RANKS	NAME	GENRE	REVENUE (LAST 30 DAYS)
1	Real Car Driving Race City 3D	Casual	< \$5,000
2	Ramp Car Games GT Car Stunts	Casual	No Revenue
3	Truck Simulator: Ultimate	Action	> \$100,000
4	Subway Surfers	Casual	> \$200,000
5	PUBG Mobile	Shooter	> \$50,000,000
6	Truckers of Europe 3	Racing	> \$10,000
7	Tricky Brain Story: DOP Puzzle	Hyper- Casual	< \$5,000
8	Domino Cafe	Casual	> \$10,000
9	Football League 2023	Sports Games	< \$5,000
10	Going Balls	Hyper- Casual	> \$10,000



(Appmagic, 2023)

Egypt is one of the fastest-growing gaming markets globally with the largest gaming population, and its revenue continues to increase year after year. With the user base steadily expanding, it is anticipated that Egypt's gaming market will witness a significant increase, with the number of users expected to reach 60.5 million by 2027. This growth is further underscored by the projection that user penetration will rise from 47.3% in 2023 to 52.5% by 2027. A pivotal driver of this remarkable growth in Egypt's gaming industry is its youthful demographic, with approximately 60% of the population being under the age of 30.

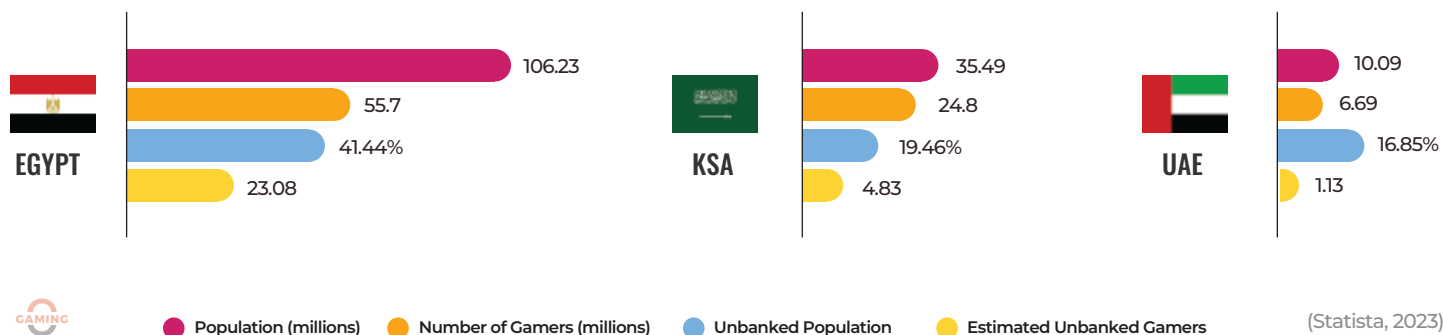
In terms of game genres, casual games take the lead as the most popular choice among Egyptian gamers. These games, exemplified by titles like Candy Crush, Subway Surfers, and Coin Master, are known for their simplicity and ease of play.

Their broad appeal spans both younger and older demographics, making them accessible to a wide range of players who can quickly engage with these games. Another genre that enjoys a significant following in Egypt is strategy games. The Arab world's rich tradition of board games, including classics like chess and backgammon, has provided inspiration for the development of digital strategy games, contributing to their popularity in the Egyptian gaming landscape.

When it comes to gaming behavior patterns, Egypt follows global trends in terms of peak gaming hours. However, there is a notable variance in spending habits, with a preference for late-night in-app purchases. This behavior can be attributed to cultural factors, including work schedules and lifestyle choices.

FINTECH INFRASTRUCTURE IN EGYPT IS PRIMED FOR INNOVATION WITH 40% OF GAMERS BEING UNBANKED

ESTIMATED NUMBER OF UNBANKED GAMERS IN MENA-3 FOR 2023



The data underscores the significant number of unbanked gamers in the MENA-3 countries. Egypt, in particular, stands out with an estimated unbanked gamer population of over 23 million, emphasizing the critical need for local partnerships and the development of alternative payment solutions in the MENA region.

To address these challenges, identifying and collaborating with local partners becomes a crucial strategy. One effective avenue for doing so involves establishing relationships with local distributors who possess extensive distribution networks and in-depth knowledge of the market. Notable companies in this regard include the Pluto Games in the UAE and Tokyo Games in Saudi Arabia. By partnering with telecom companies like Etisalat, there is an opportunity to provide more accessible payment solutions and potentially even release exclusive games, thereby enhancing the gaming ecosystem in the MENA region.

Integrating a diverse range of payment methods, including mobile wallets such as Apple Pay, and Google Pay, and local options like PayBy and STC Pay, along with Direct Carrier Billing (Fortumo), Prepaid Cards (OneCard and CashU), and Bank Transfers, has the potential to increase in-game purchases by up to 25%.

HOW CAN WE BUILD ACCESSIBILITY FOR GAMERS THROUGH A ROBUST FINTECH INFRASTRUCTURE



Hitesh Uchil

Founder, Startup Speedrun

To establish accessibility for gamers through a robust fintech infrastructure, especially in emerging markets, it's imperative to consider the significant limitations in traditional banking and credit card access. In these regions, the majority lacks access to conventional banking services, and even fewer possess credit cards. To effectively expand in these markets, alternative payment channels must be introduced, ensuring that gaming payments are within reach. These include e-wallets, direct carrier billing, and over-the-counter payment solutions. For instance, in Egypt, a mere 3% of the population has access to credit cards. Without alternative payment channels, a staggering 97% of potential gamers would be excluded from making in-game payments. To address this challenge, it's essential to enable these alternative payment channels. However, managing individual channels for each country can be both cumbersome and costly. A more efficient approach involves collaborating with payment channel aggregators, specialized in creating solutions that effectively serve gamers in emerging markets. It's crucial to identify the primary payment channels in each region.

By enabling these specific channels, your game becomes accessible to the majority of players in each respective country. In terms of security and reliability, alternative payment channels are on par with, and in some cases, even more secure than credit cards, with fewer refund issues. Nevertheless, challenges like high transaction fees (exceeding 25%), foreign exchange fluctuations affecting payment values, and currency reserve constraints make it vital to choose strategic partners such as Razer Gold, Coda Payments, or Xsolla.

ABOUT HITESH UCHIL

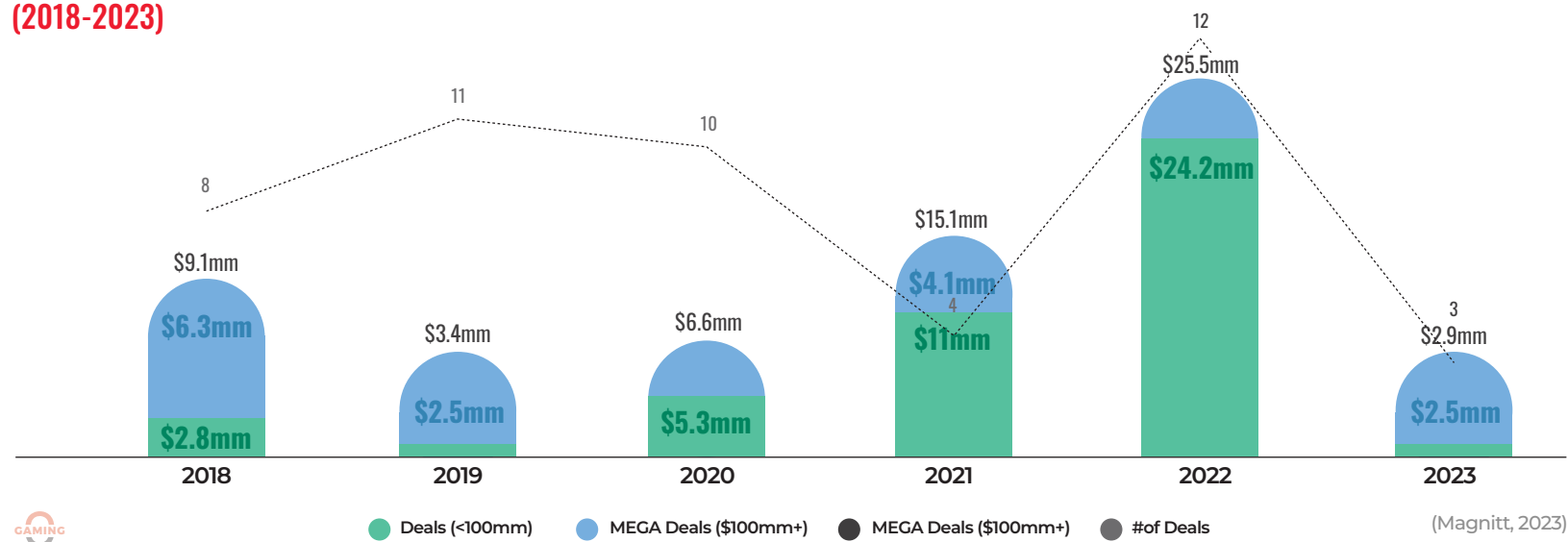
Hitesh is an experienced marketing professional in the gaming and digital entertainment industry with over a decade of success. As Senior Global Marketing Manager at Coda Payments, they assisted major game publishers like Riot Games, Tencent, Garena, EA, and Moonton. Their gaming journey began as Marketing Director at Gamer Agency Middle East, overseeing 40+ campaigns, influencer collaborations, and large-scale events. Hitesh also co-founded IGN Middle East, the region's largest gaming and entertainment media website, while working at IGN Entertainment.

Q3 2023

MENAP INVESTMENT LANDSCAPE

CONSUMER SPEND IN MENA REMAINS STRONG, HOWEVER GAMING INVESTMENTS DROP BY 88% MIRRORING THE GLOBAL MARKET DOWNTURN

MENA FUNDING & DEAL EVALUATION IN GAMING (2018-2023)

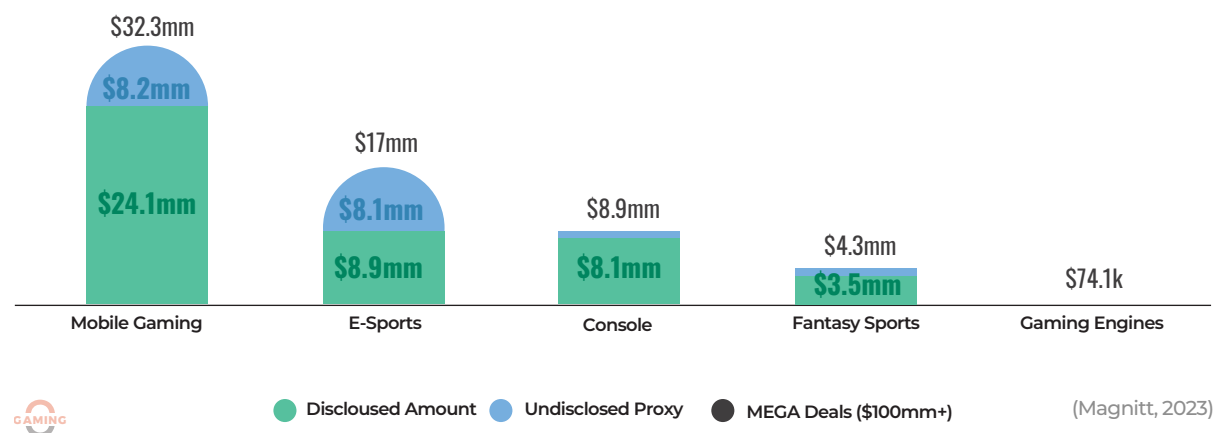


The performance of the venture capital market in MENA in 2023 has remained close to its lower limits. This market downturn in MENA regarding investments can be attributed to the slowdown in Western markets after mid-2022. Investors have become more cautious, significantly raising their expectations concerning the companies and projects they are willing to invest in. As some of the MENA-based VCs have international limited partners (LPs), they have experienced the regional impact of this global market downturn.

Looking ahead, the industry will continue facing challenging times. We can anticipate a surge in layoffs as a growing number of companies exhaust their funds and struggle to achieve profitability. Many will also find it increasingly difficult to secure further investment due to a lack of traction or being in sectors that no longer attract investment. Some may have already raised substantial amounts and may not have the traction that they have estimated. Consequently, investors will place greater importance on securing sufficient cash reserves to sustain studios for the next 24 months in the hope that market conditions will improve.

CONTENT LEADS IN FUNDING WITH 50% OF DEALS OVER THE PAST 5 YEARS BEING IN MOBILE GAMING

MENA FUNDING AND NUMBER OF DEALS IN GAMING (2018-2023)



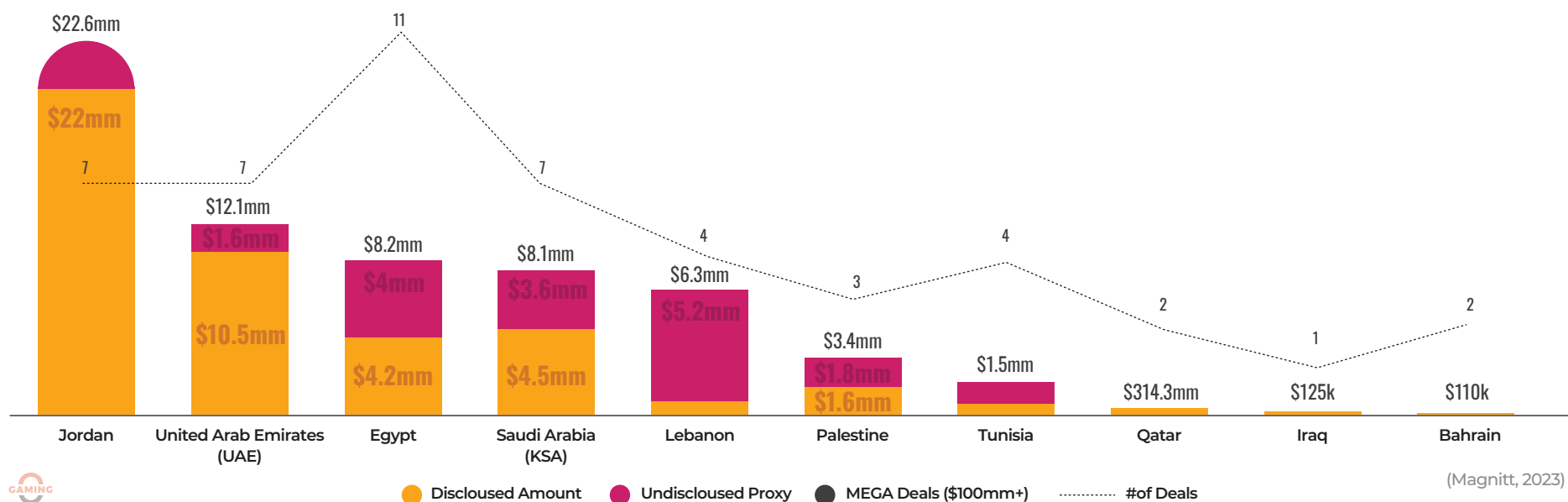
Mobile gaming is the most prominent segment in MENAP which could be attributed to the widespread use of smartphones in the region. Mobile games, mainly monetized through advertising, are often free, making them accessible to players with varying budgets. The technological advancements in mobile phones have enabled game developers to offer high-quality graphics and processing power, allowing for top-tier mobile versions of games that were previously exclusive to PC or console platforms.

Following mobile gaming, the second-highest funded and active segment is esports. The remarkable growth of esports in MENAP can be attributed to the increasing availability of high-speed internet and advanced gaming infrastructure. Countries like the UAE, Saudi Arabia, and Qatar have made significant investments in technology and connectivity, providing gamers with a seamless online gaming experience and the ability to compete globally. This has resulted in a surge in the number of gamers participating in international tournaments, establishing a strong presence on the global esports stage. The region has also witnessed the establishment of dedicated gaming arenas and esports facilities, offering state-of-the-art equipment, professional coaching, and a social space for gaming enthusiasts.

While mobile gaming and esports take the lead, console gaming maintains its relevance in MENAP. This segment attracts a distinct niche of gamers who value the superior graphics, performance, and exclusive titles offered by gaming consoles.

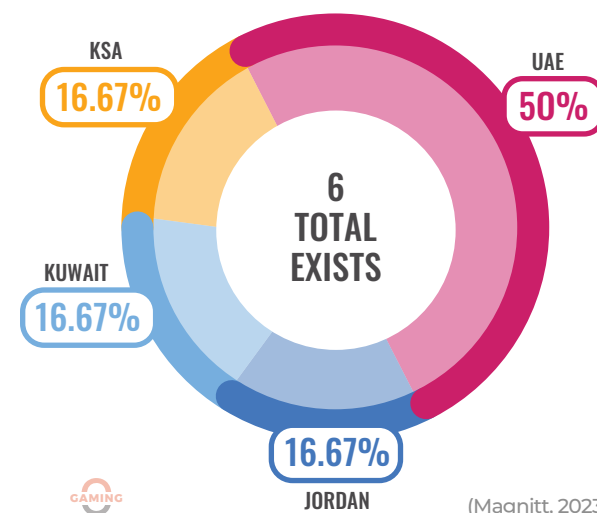
JORDAN LEADS THE REGION IN FUNDING SECURING 30% OF DEALS WHILE 50% OF EXITS TAKE PLACE IN THE UAE MAKING IT A HOTBED FOR EXITS

TOTAL FUNDING AND NUMBER OF GAMING DEALS BY COUNTRY (2018-2023)



Jordanian companies received \$22.6 million in funding, making them the highest recipients in the MENA region, followed by the MENA-3 countries: UAE, Egypt, and KSA. This data highlights the cost-effectiveness and availability of talent for establishing gaming startups in Jordan.

Analysis of exit data reveals that the UAE has the highest number of exits, with three exits from 2018 to the present, accounting for 50% of the total exits. This trend can be attributed to the preference of companies, once established in countries like Jordan, to choose the UAE for the expansion, development, and exits opportunities.



Q3 2023

INVESTOR OUTLOOK

AI IN GAMING

AI IN GAMING

As a firm excited about the transformative potential of AI in gaming, which is poised to revolutionize the industry. AI not only promises to enhance player experiences but also presents unique business models for investment opportunities.

Here are five key opportunities in our thesis of AI in gaming that we are excited to see:

1- PLATFORMS WILL SHIFT TO NOVEL EXPERIENCES:

Opportunity: Creating cost-effective solutions for game developers, which can reduce development time and costs while enhancing user experiences through AI tool development and modularization.

2- TOOLS WILL FOCUS ON MODULARIZATION FOR EFFICIENCY:

Opportunity: Creating and offering plug-and-play solutions for various aspects of the game development backend, such as matchmaking, inventory management, and serverless hosting for multiplayer games. By providing efficient, developer-friendly tools, you can cater to both established AAA studios and up-and-coming developers, capturing a significant share of the market.

3- UGC AND THE RISE OF PLAYER-CREATED CONTENT:

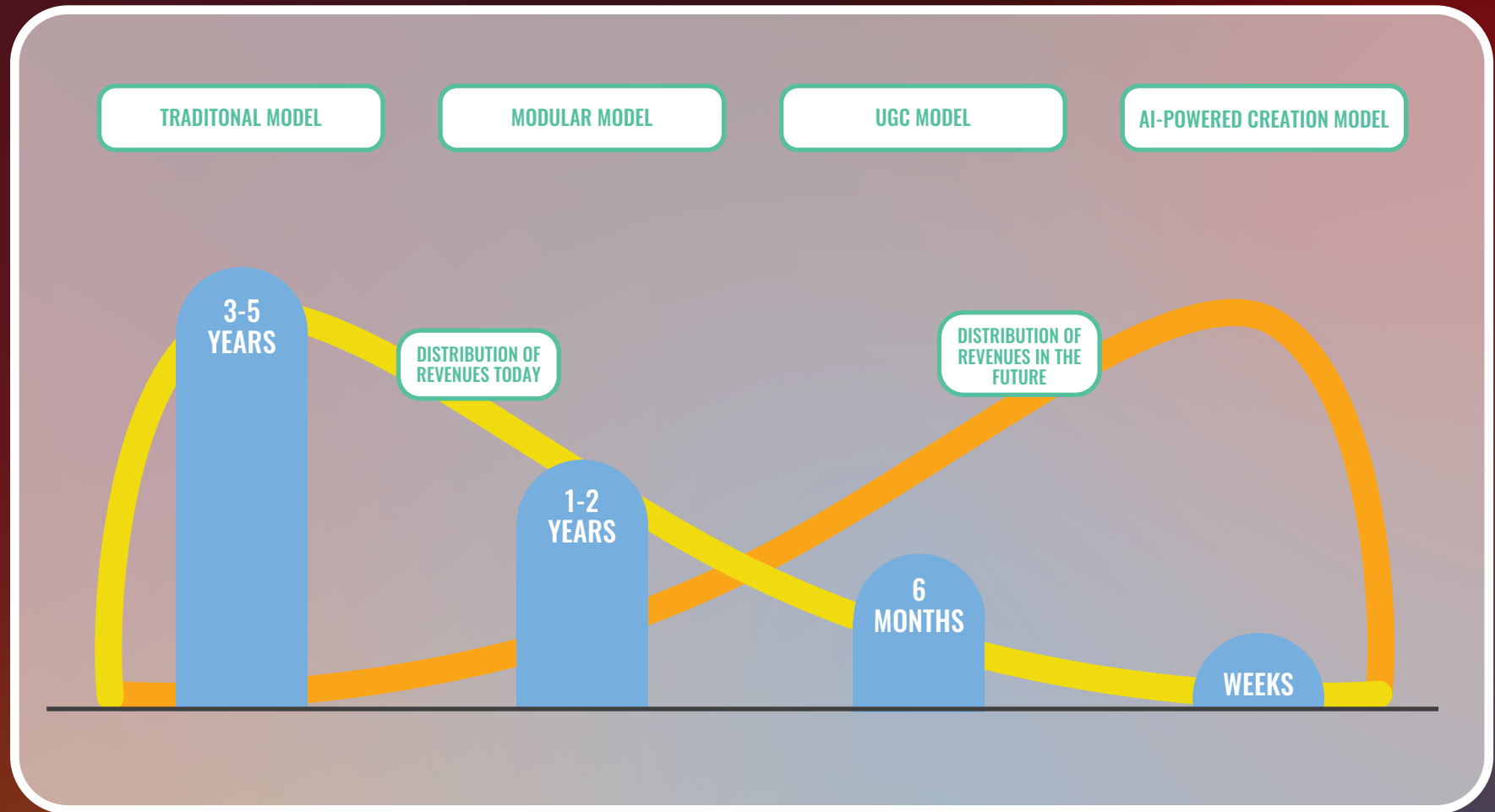
Opportunity: Developing UGC platforms that empower non-developers to create game content, lowering the knowledge threshold. By providing user-friendly tools for asset creation and gameplay mechanics, you can facilitate the growth of diverse game concepts and mechanics. Moreover, by enabling easy onboarding for aspiring game developers, you contribute to a thriving game development community.

4- AI NATIVE GAMES WILL BE THE NORM:

Opportunity: Creating entirely new and immersive gaming experiences that set your games apart in the market. For example, designing multiplayer experiences with conversational NPCs, dynamic social interactions, cutting-edge graphics and reduced latency. This approach can attract a dedicated user base and generate revenue through in-game purchases and subscriptions.

5- AI-POWERED GAMING ECOSYSTEMS:

Opportunity: Pioneering AI-driven gaming experiences that provide personalized and constantly evolving narratives, adapting to each player's style. Moreover, develop AI tools that effectively tackle issues like online toxicity and cheating. This can lead to the creation of unique gaming ecosystems, attracting both players and sponsors looking for a positive gaming environment.



(LSVP, 2023)

Q3 2023

ABOUT SHOROOQ PARTNERS

SHOROOQ PARTNERS GAMING INVESTMENT THESIS



CONTENT AND IP:

We strategically invest in studios and publishers that exemplify excellence in both content creation and the strategic monetization of their IP. By doing so, we secure a foothold in the industry's leading studios, primed to fully leverage their intellectual assets for long-term growth and prosperity.

SOFTWARE:

We invest in cutting-edge software solutions that optimize processing power and enhance software efficiency. These technologies empower game developers to create faster, more immersive, and scalable gaming experiences, capitalizing on the dynamic gaming industry's growth.

PLATFORM: Our investments are directed towards platforms that facilitate a scalable model for user connectivity and UGC. These platforms not only emphasize entertainment value but also demonstrate a clear trajectory towards achieving robust unit economics, establishing themselves as pioneering entities within the industry.

GEOGRAPHY: Global

AVERAGE TICKET SIZE RANGE: \$ 1-8 mm

STAGES WE FOCUS ON: Pre-seed to Series A

To learn more , reach out on GAMING@SHOROOQ.COM



ABOUT SHOROOQ PARTNERS

Founded in 2017, Shorooq Partners is the leading tech investor across the Middle East, North Africa, and Pakistan (MENAP region). The firm's venture capital and venture debt funds invest in the most innovative seed stage and early stage startups. The firm has built deep sectoral expertise in Fintech, Platforms, Software, Gaming and Web3.0. Since its inception, Shorooq Partners was built on the principle of being founders' partners, company builders and value investors. We can have that at the beginning of the newsletter in a small font as a way to educate those who might have forwarded the email.

Email: hello@shorooq.com

Website: shorooq.com

HOW TO GET INVOLVED

Are you interested in getting involved in the fast-growing gaming industry globally? Here are three ways you can partner with us and contribute to the growth and success of the gaming ecosystem:

Sponsor and Collaborate on Future Reports

Our research reports provide valuable insights into the global & MENAP gaming industry, its key players, and emerging trends. By sponsoring or collaborating on future reports, you can gain access to this exclusive data and analysis and showcase your commitment to supporting the gaming industry in the region.

Work with us on hosting the GameON Podcast

Are you passionate about gaming and AI? Join us as a guest on our podcast and share your insights with our global audience or collaborate with us to launch a themed season around a topic of your interest.

Stay Updated with the latest and greatest in the Gaming Industry

Don't miss out on the latest trends and updates in the gaming and AI industries. Subscribe to our newsletter and stay ahead of the curve with exclusive content and insights delivered to your inbox. Join our community of industry enthusiasts today!

By getting involved with Shorooq Partners, you can contribute to the growth and success of the MENAP gaming industry, while also positioning your company as a leader and innovator in this dynamic and exciting space.

Contact us today at gaming@shorooq.com

to learn more about how you can partner with us and make an impact in the MENAP gaming ecosystem.

**FOR COLLABORATIONS, SPONSORSHIPS
AND GENERAL INQUIRIES, CONTACT US**

GAMING@SHOROOQ.COM
SHIFT.SHOROOQ.COM

