



# **Global Games Investment Review 2015**

## **Executive Summary**

Contact: [info@dig-capital.com](mailto:info@dig-capital.com)

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- Games software revenue forecast by country/region
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- Games IPO market caps and volume
- Games M&A transaction value/volume by sector
- Games investment transaction value/volume by sector
- Games 3 year investment returns
- Games stock market valuation multiples
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(economic analysis, sector dynamics, revenue forecasts, public stock market valuation comparables, public stock market performance, M&A transactions, investment transactions, sector growth and consolidation opportunities)\*

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# Games market consolidation accelerates as growth stabilizes

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- Games industry consolidating with stable growth putting the Big Squeeze on mid-tier companies
- Games software revenue could top \$100B by 2018 driven by mobile - virtual reality a potential breakout
- Asia the #1 games market to hit \$45B by 2018 led by China, Japan and South Korea
- Record \$15B acquisitions with investment recovering to \$1.5B in 2014 as mobile dominates
- America and China the top 10 games acquirers in 2014
- China, Japan and South Korea continue to lead games IPOs
- Total \$24B of games exits across M&A and IPOs in 2014 with mobile taking the lion's share
- Private games investment 3 year exit returns >7x in 2014
- Global games public stock market index down by 14% in 2014
- Huge variation in public stock market and private games company valuations multiples
- Consolidation rules until next innovation wave accelerates market growth

*All data available in [Detailed Data/Charts](#) and [Full Review](#)*

# Games industry consolidating with stable growth from 2015



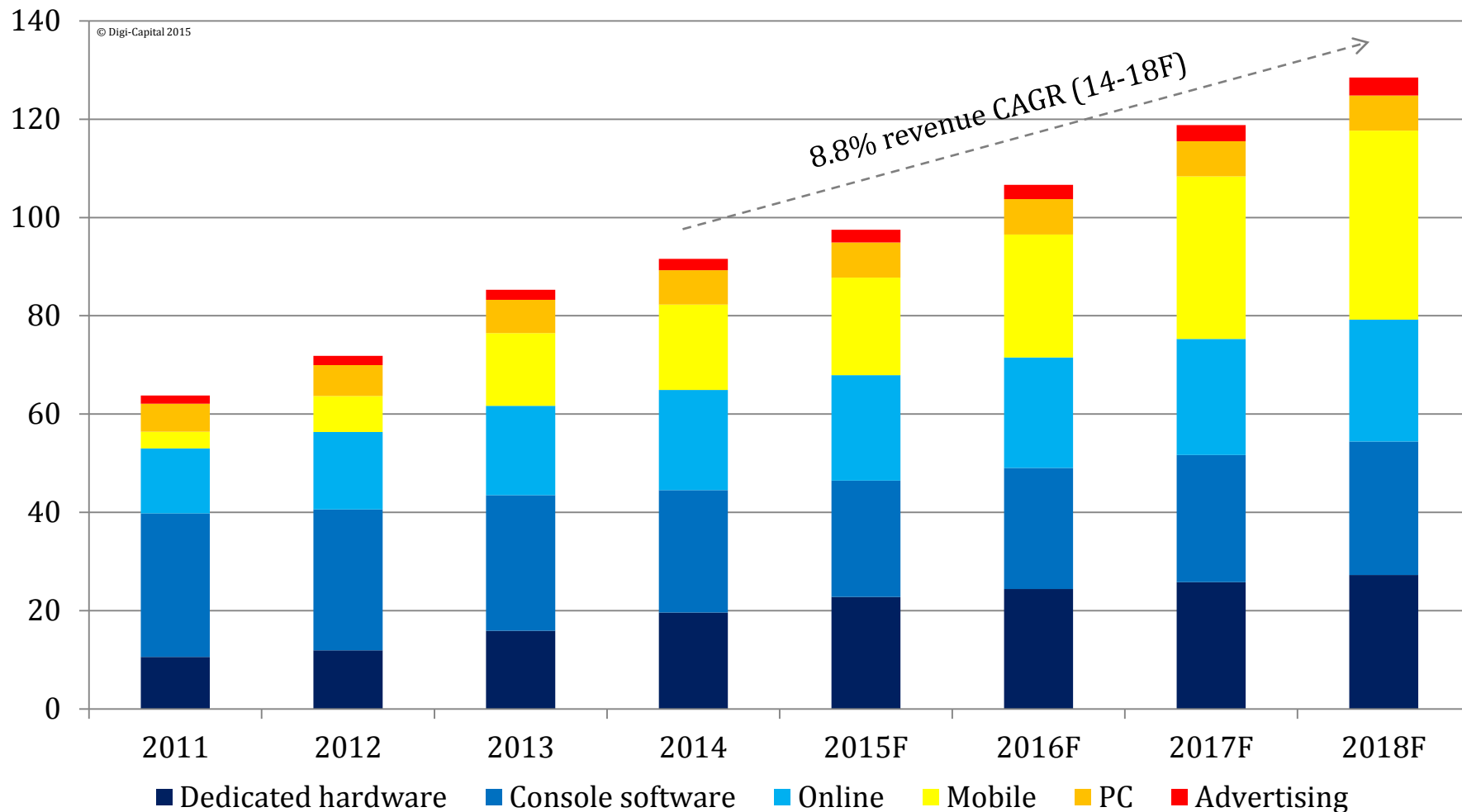
# Stable growth is putting the Big Squeeze on mid-tier companies

	Hit IP	User scale	Complete infrastructure	High cashflow	Low cost	Hit IP potential	What next?
Mid-tier	<div>Corporates</div>						Cut costs and acquire indies with hit potential
							Slim down to be nimble like an indie
	<div>Indies</div>						Leapfrog mid-tier to get acquired

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# Games software revenue could top \$100B by 2018

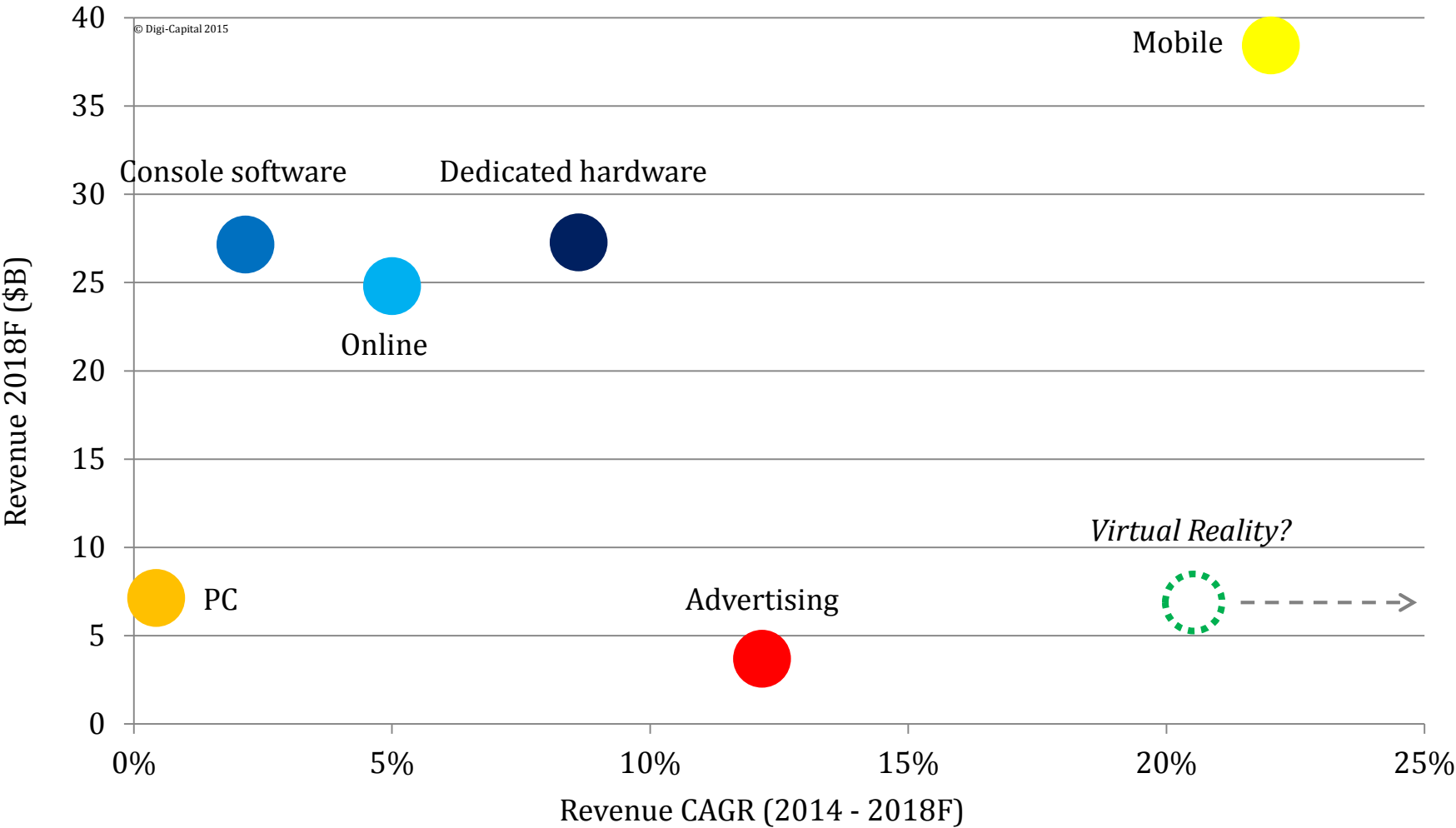
Global Games Sector Revenue (\$B)



All data available in [Detailed Data/Charts](#) and [Full Review](#)

# Driven by mobile games, with virtual reality a potential breakout

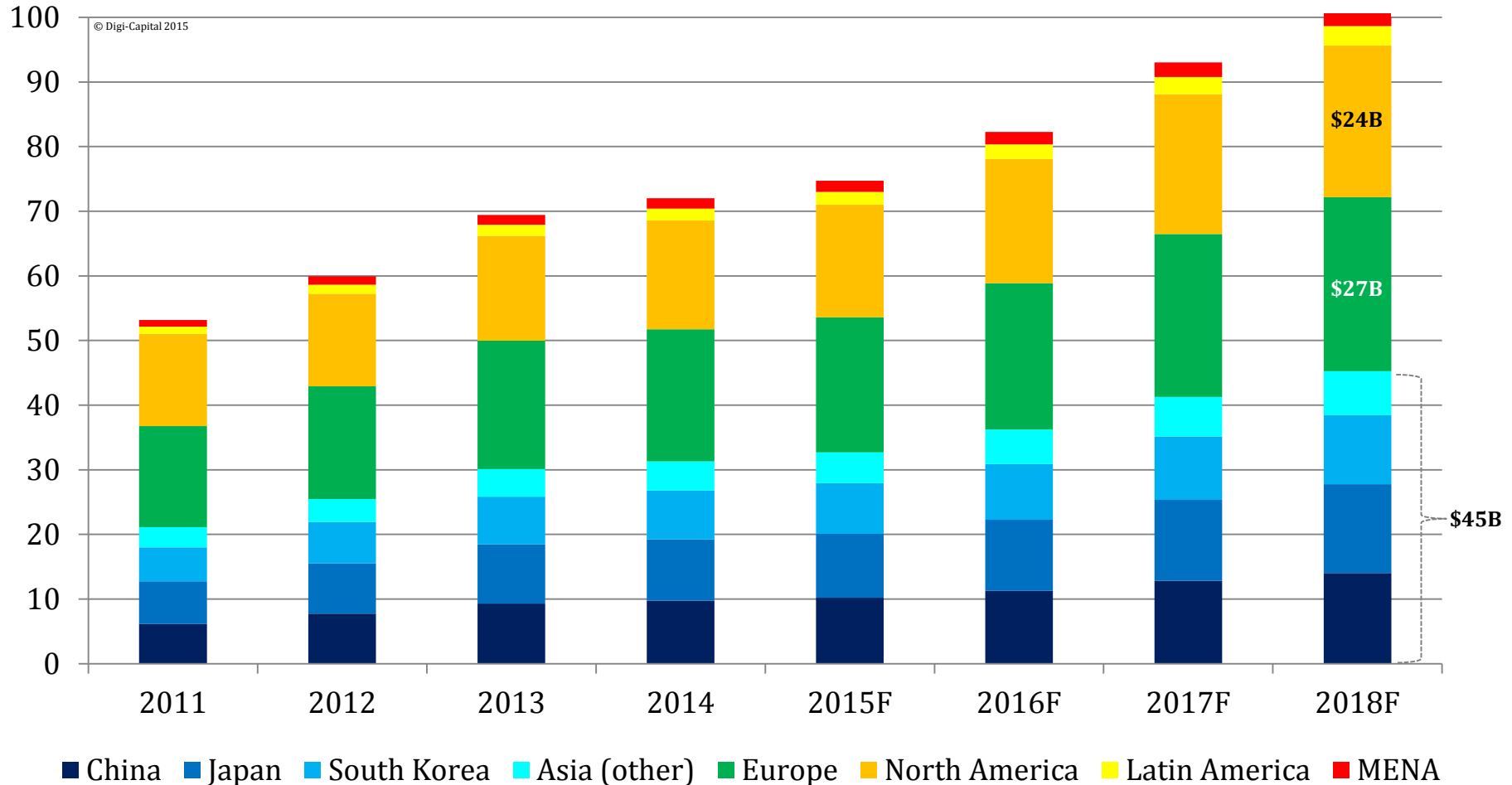
Global Games Sector Revenue 2018F (\$B) vs CAGR (14-18F)



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# Asia the #1 games market led by China, Japan and South Korea

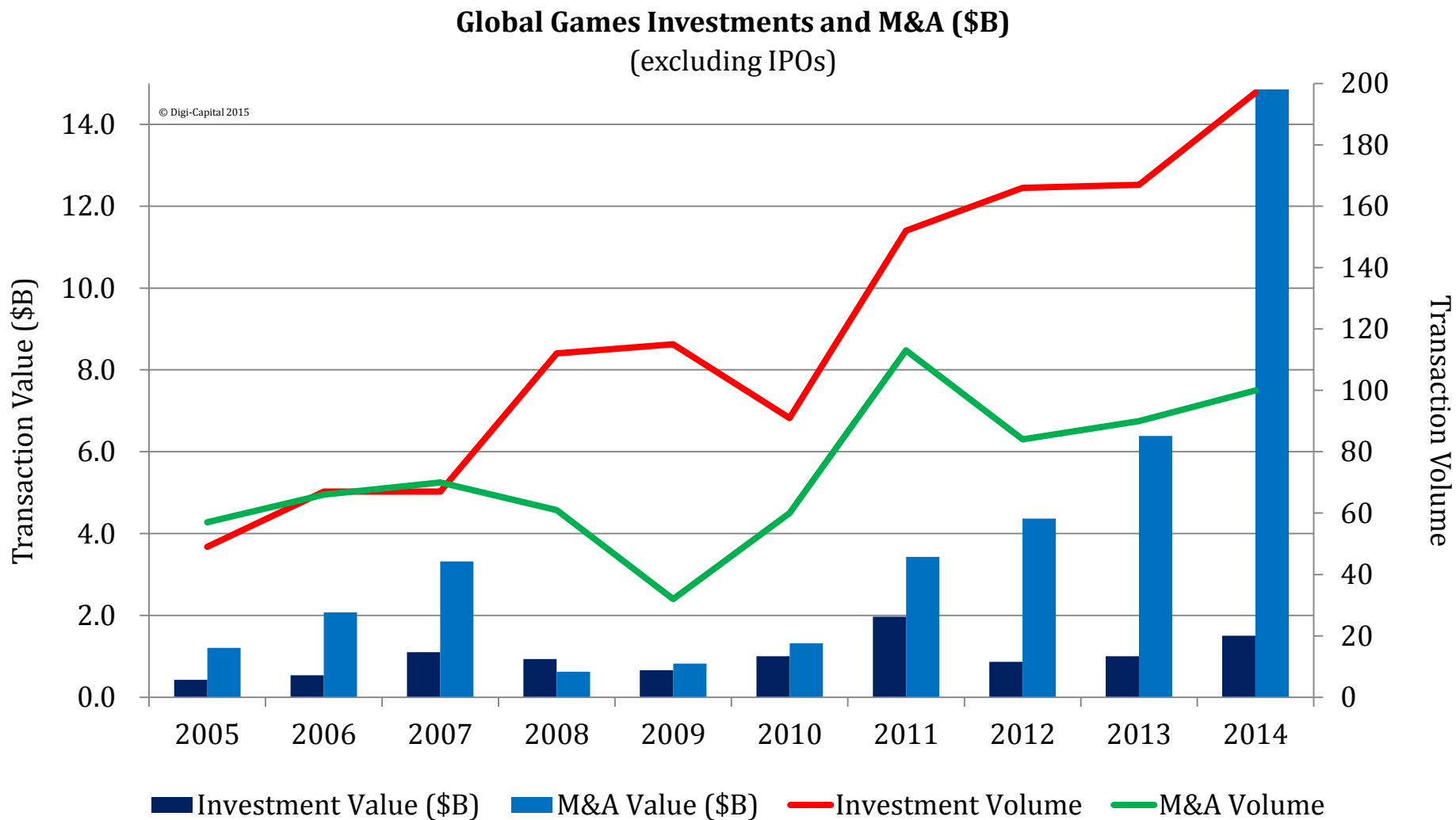
Global Games Software Revenue (\$B)



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# Record \$15B games acquisitions in 2014 as investment recovers



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# “Consolidation Crush”: 5 drivers of record acquisitions in 2014

## Mobile growth

- \$38B mobile games 2018F revenue (vs \$17B 2014)
- Acquirers buying into large, high growth market
- E.g. Microsoft/Mojang \$2.5B, Tencent/CJ Games (28%) \$500M

## Mobile cannibalization

- Mobile cannibalizing console, PC, MMO, social, web
- Acquirers stopping mobile insurgents from eating their lunch
- E.g. Zynga/Natural Motion \$527M

## Legacy pivots

- Disruption by new platforms pushes legacy companies to buy their way into the future
- E.g. Facebook/Oculus \$2B, Amazon/Twitch \$1B

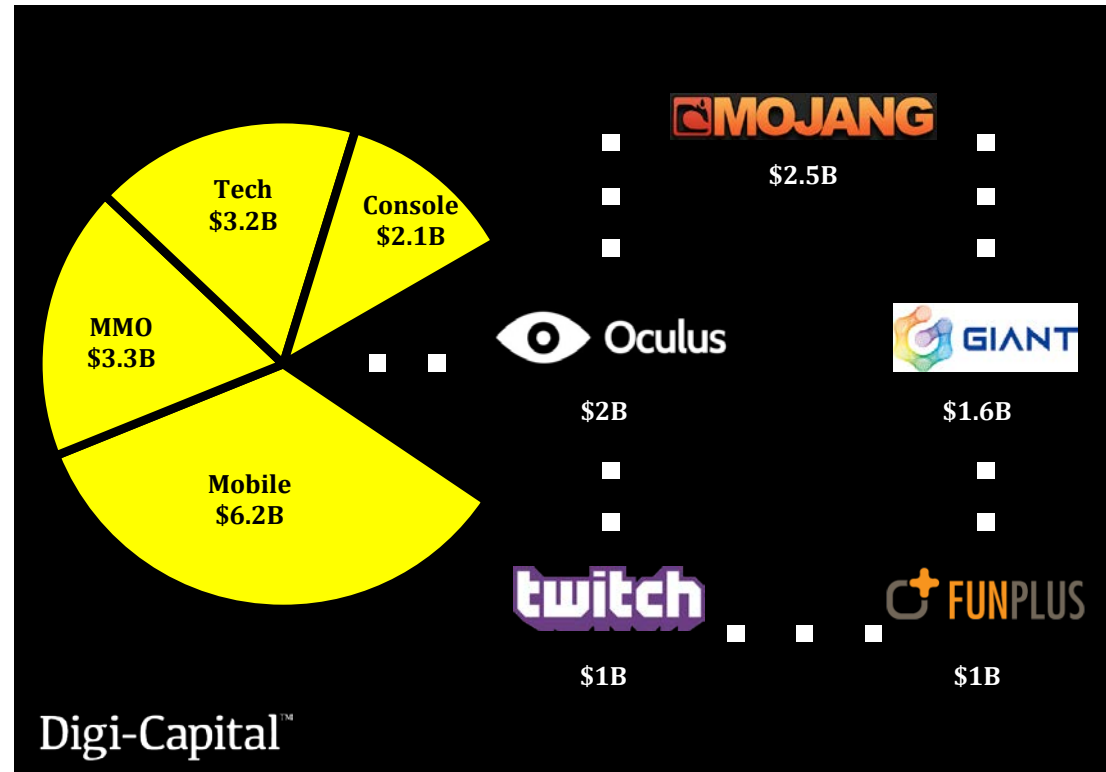
## Market cycle

- Public/private games valuations trending downwards
- \$1.1B investment to Q3 2014 (vs \$2B high in 2012)
- King, Game Digital, iDreamSky IPOs, with several Chinese reverse takeovers. Chukong IPO postponed due to reported valuation concerns
- Acquirers taking advantage of investment cycle phase
- E.g. Giant Interactive take-private \$1.6B

## Regional realignment

- Asia \$45B, Europe \$27B and North America \$24B revenue by 2018F changes the balance
- Pan-regional acquirers leveraging strength to target domination at home and abroad
- E.g. Softbank/Supercell (51%) \$1.5B

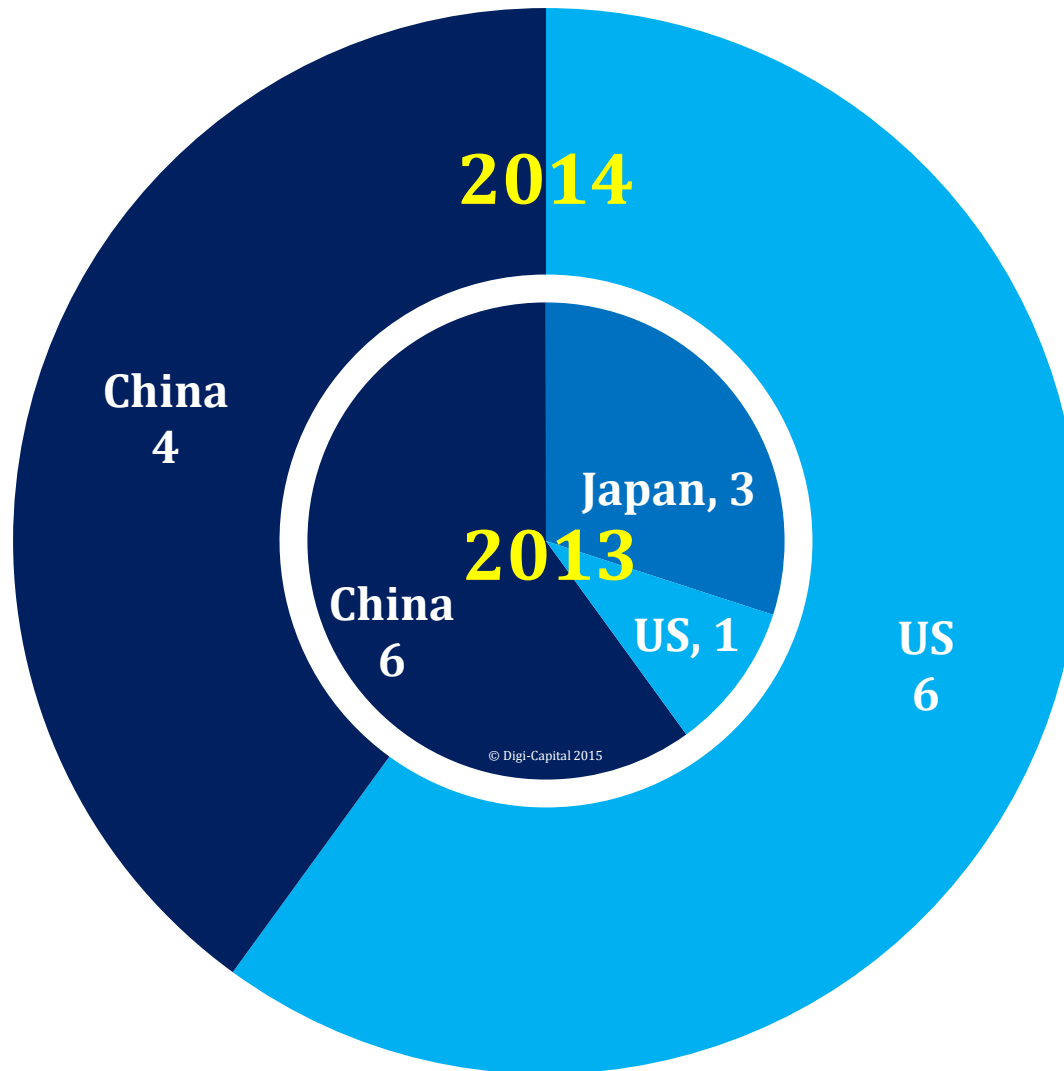
Global video games acquisitions 2014 (\$B)



All data available in [Detailed Data/Charts](#) and [Full Review](#)

# America and China the top 10 games acquirers in 2014

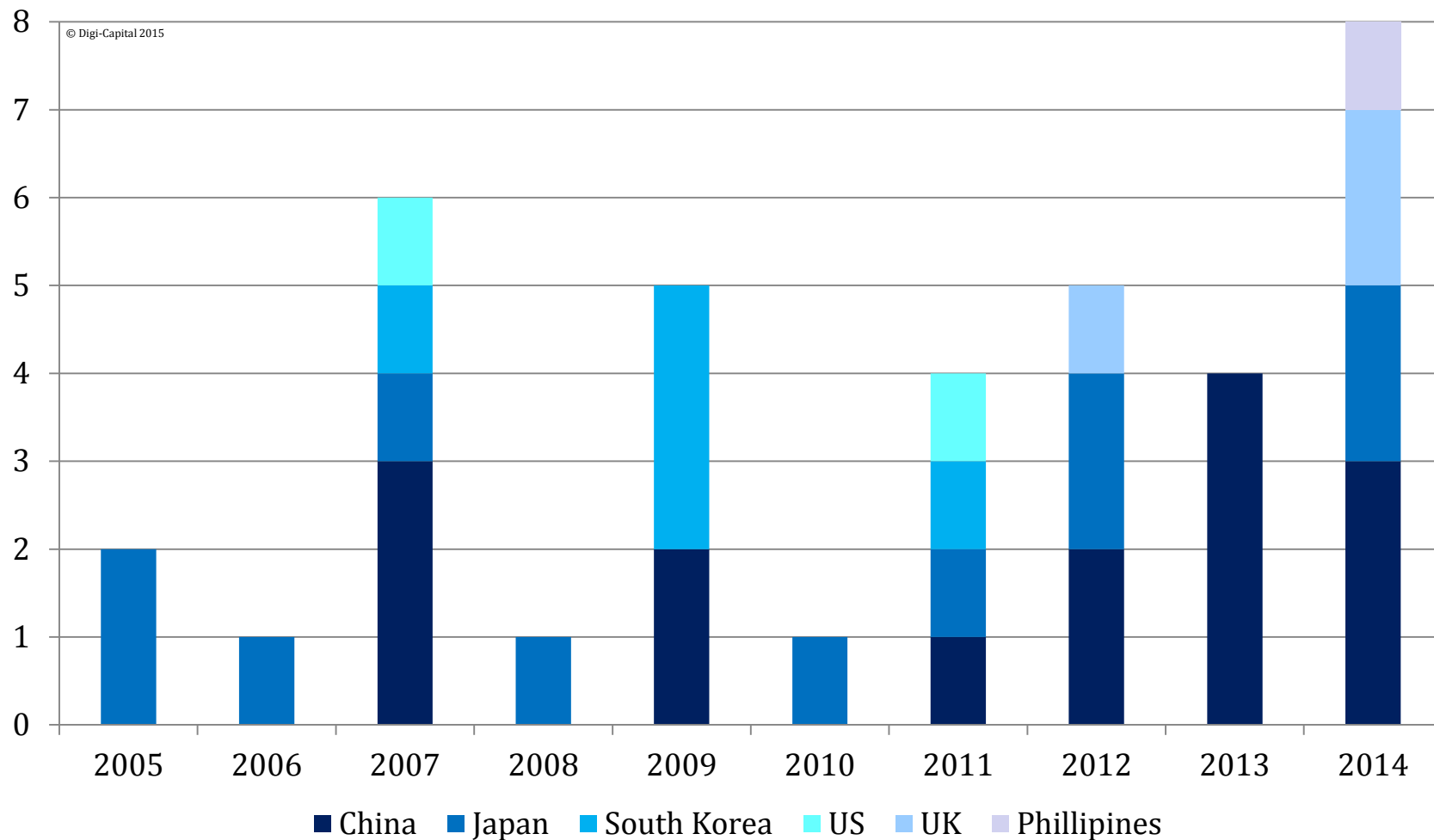
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# China, Japan and South Korea continue to lead games IPOs

Games IPOs by Country

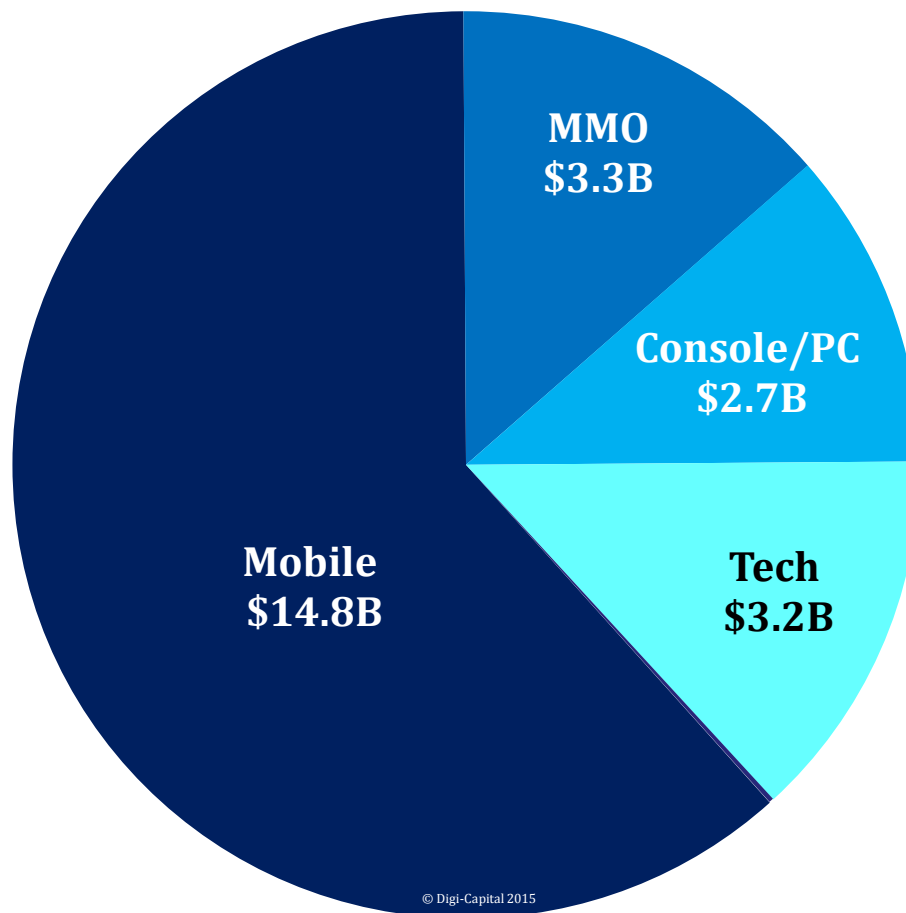


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# Mobile dominated \$24B exit value across M&A and IPOs in 2014

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Games exit value by sector 2014 (M&A and IPO)

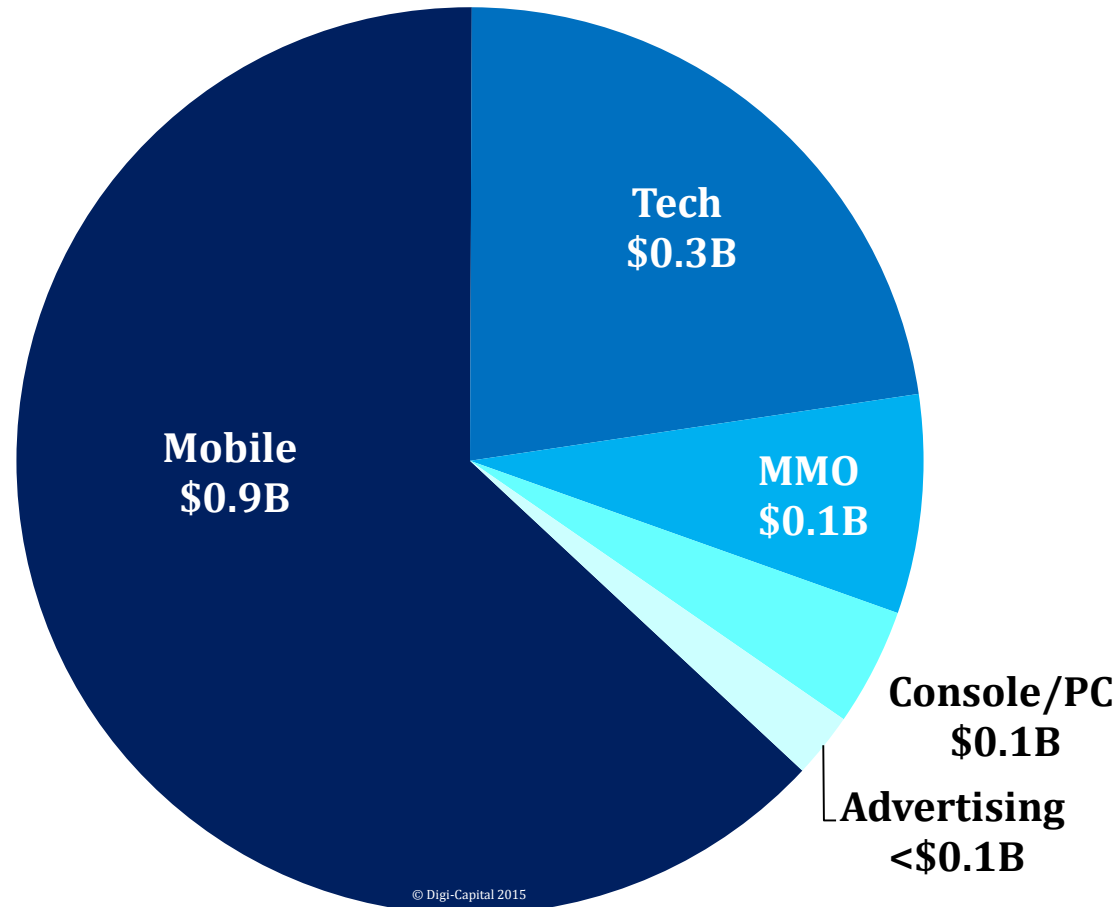


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# Mobile also dominated \$1.5B games investment in 2014

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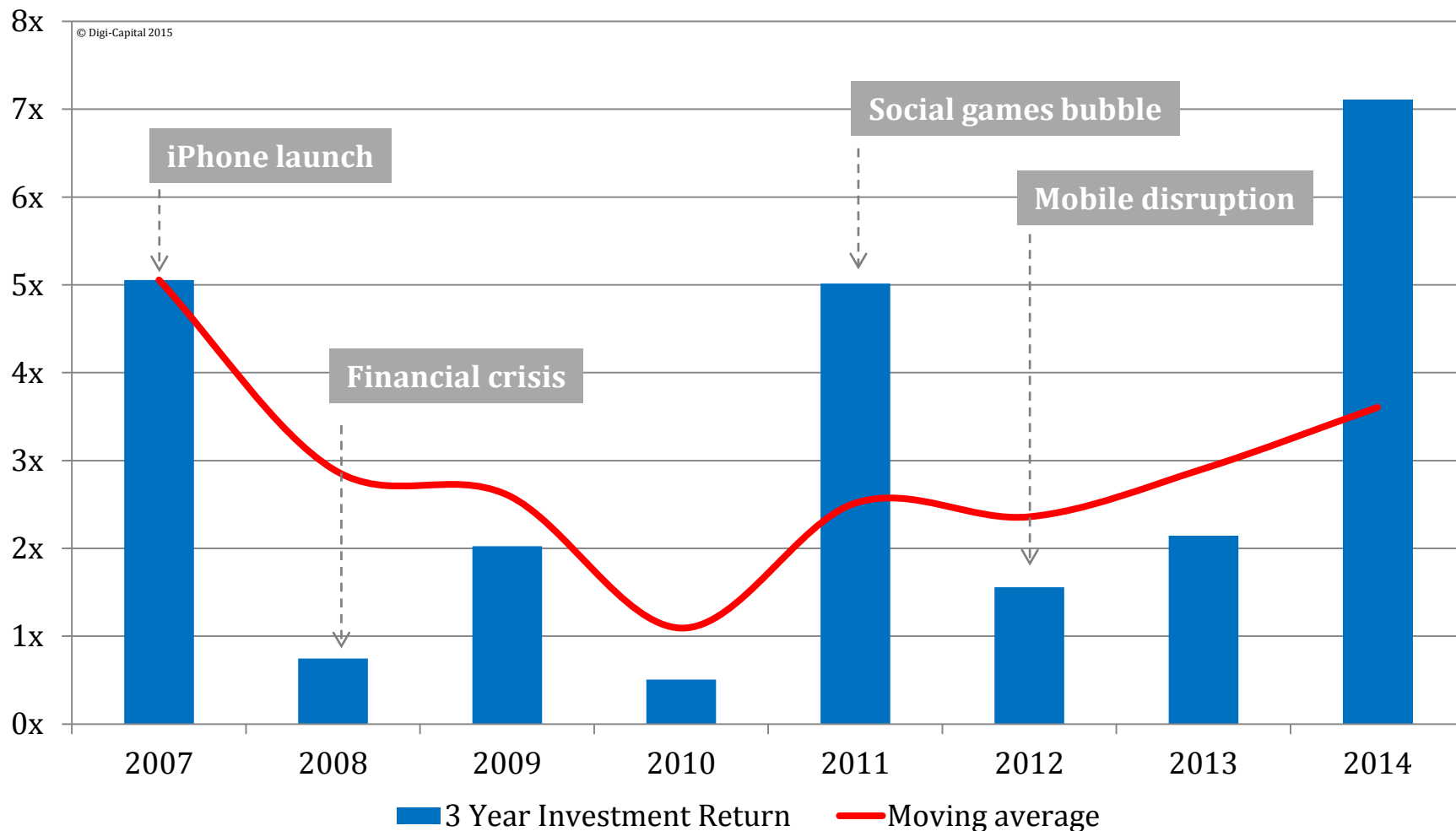
Games investment value by sector 2014 (excluding IPOs)



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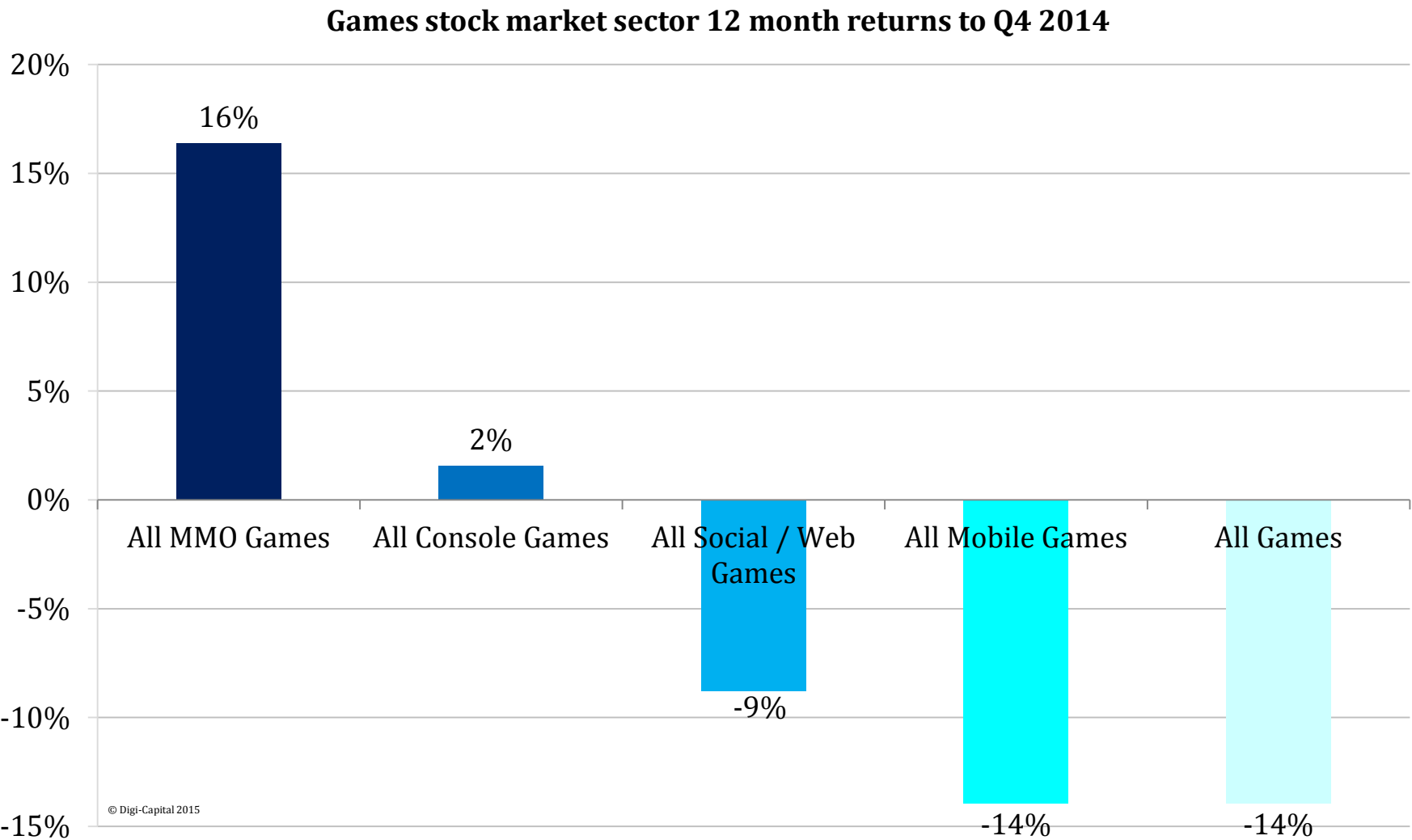
# Private market games investment 3 year exit returns >7x in 2014

Private market games investment 3 year exit returns



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# Games public stock market returns broadly negative for 2014

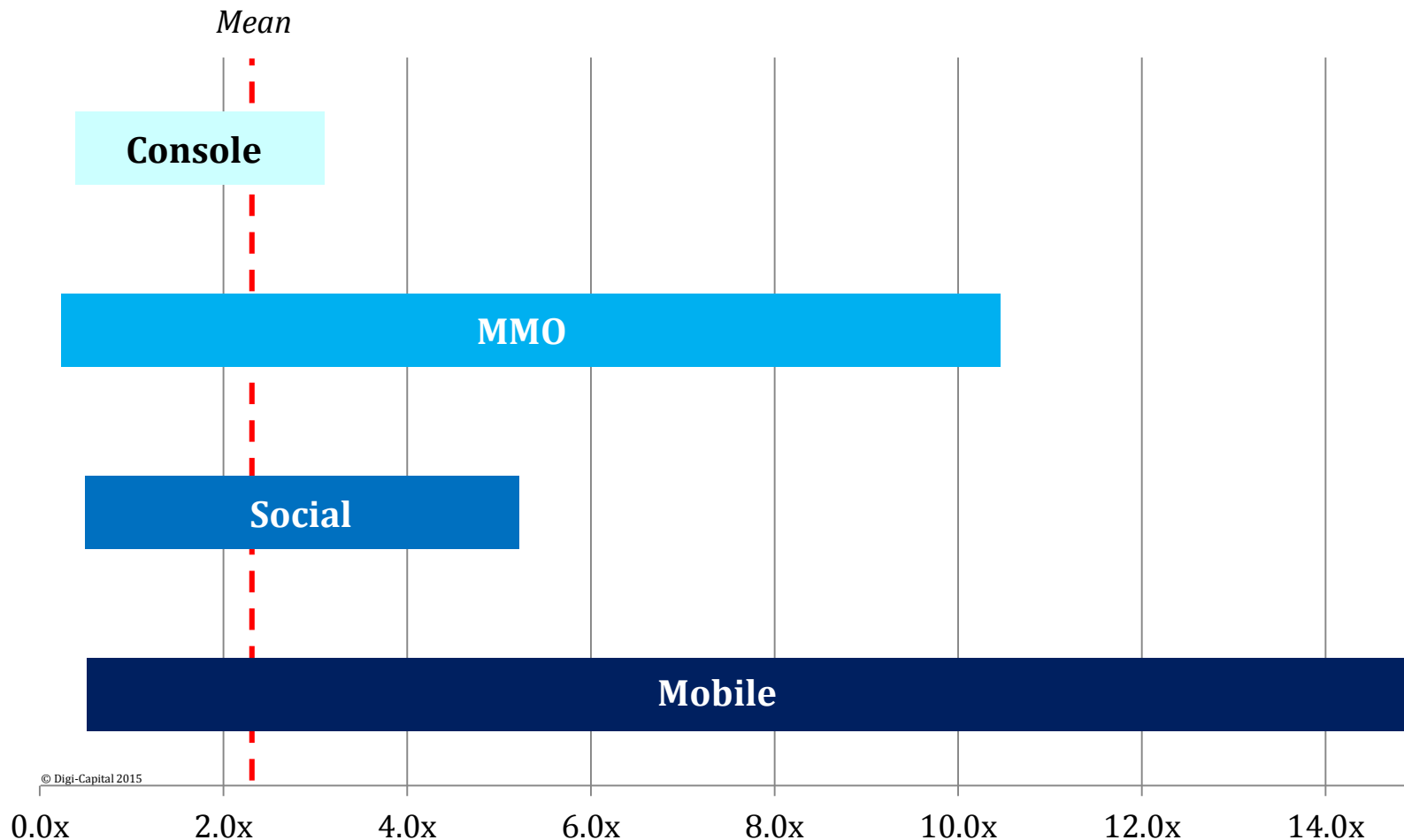


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# With huge variation in public stock market valuation multiples

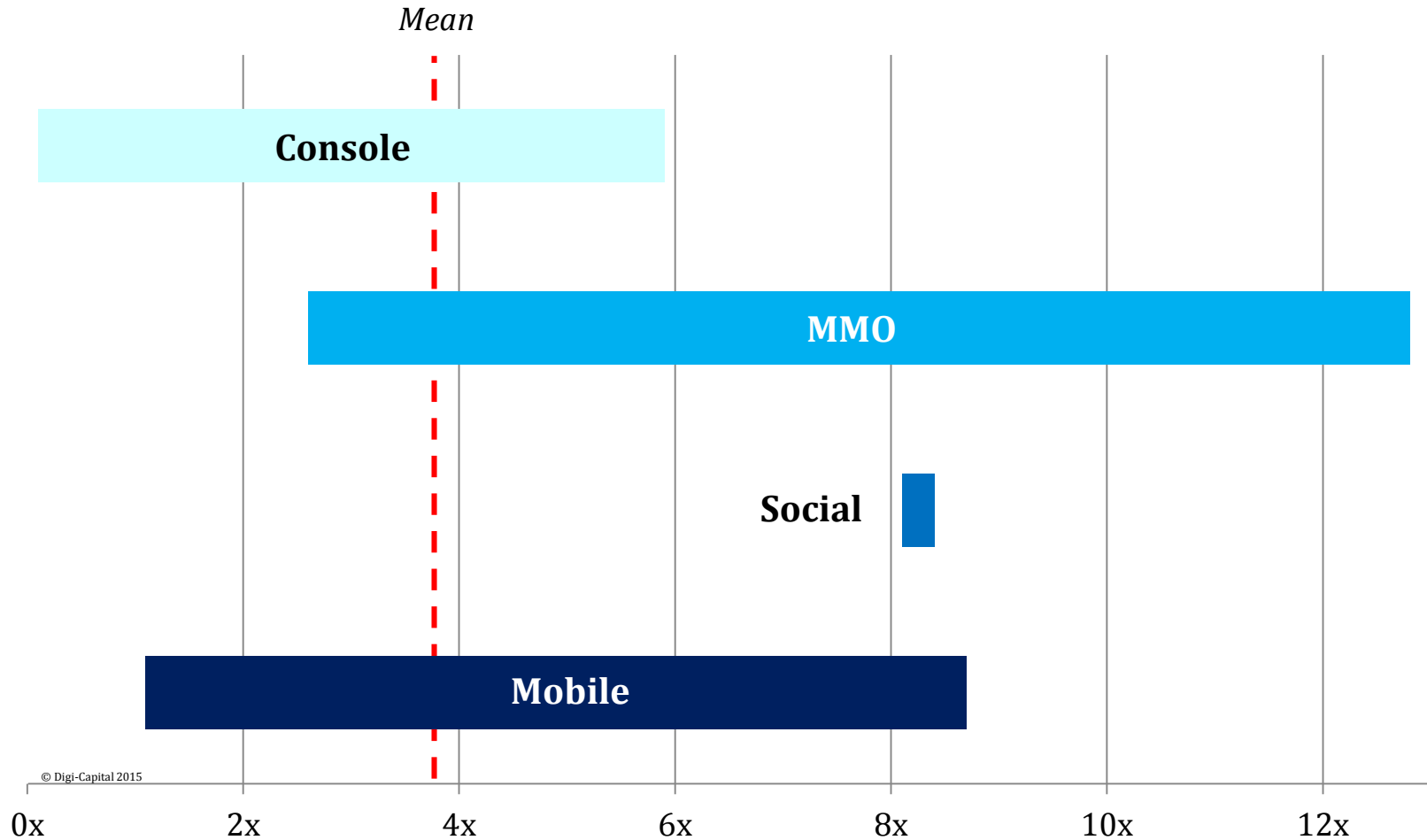
Games stock market EV/Sales valuation ranges Q4 2014



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# And major variation in private games M&A valuation multiples

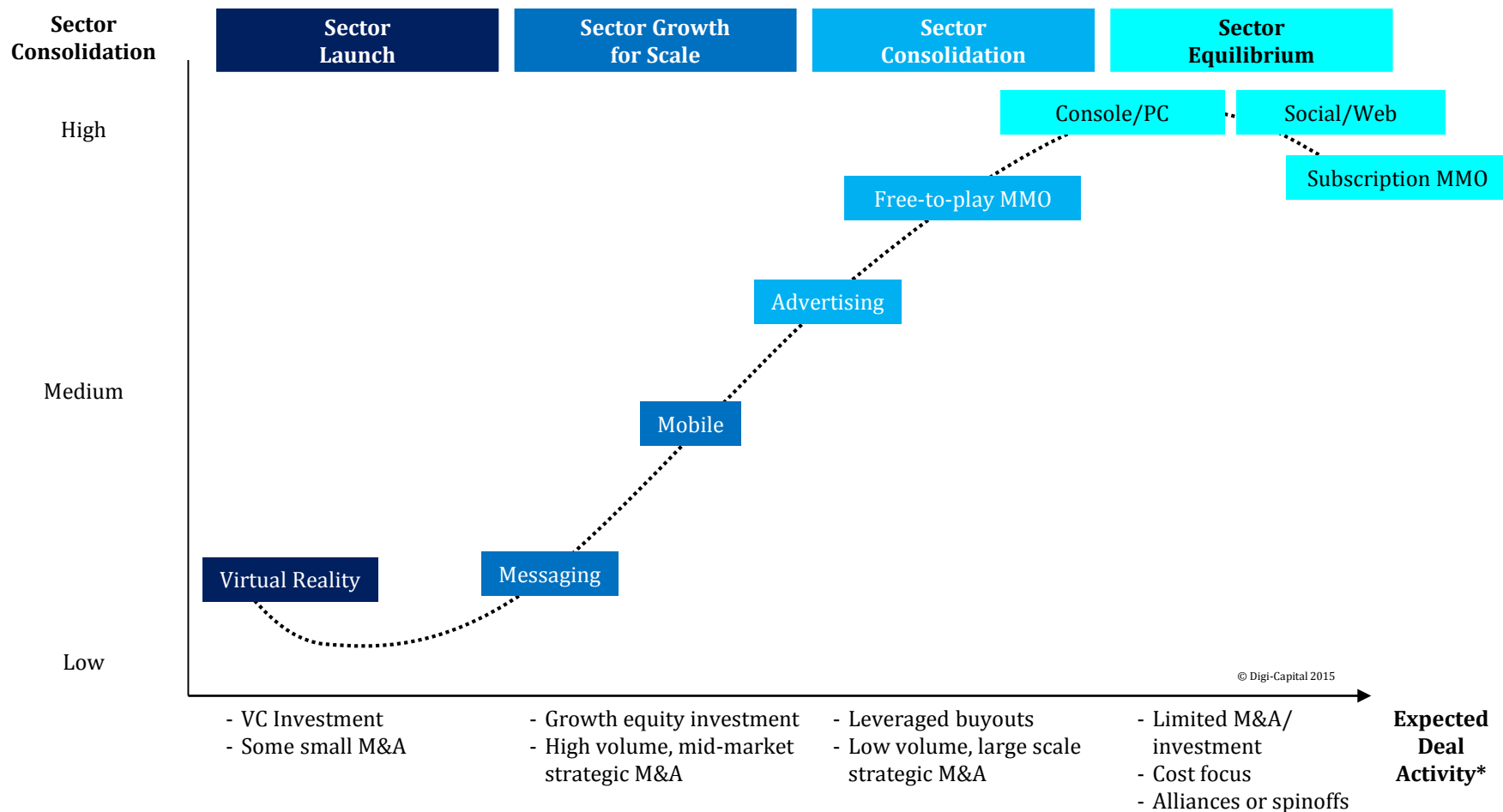
Games private M&A EV/Sales valuation ranges



All data available in [Detailed Data/Charts](#) and [Full Review](#)

# Consolidation rules until the next innovation wave

Consolidation Curve by Sector



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Digi-Capital advises mobile, games and digital clients across America, China, Japan, South Korea and Europe

Sell-side M&A

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Management Consulting

Industry Analysis

## Selected Clients



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