

Gaming Industry Report

Q1 2023



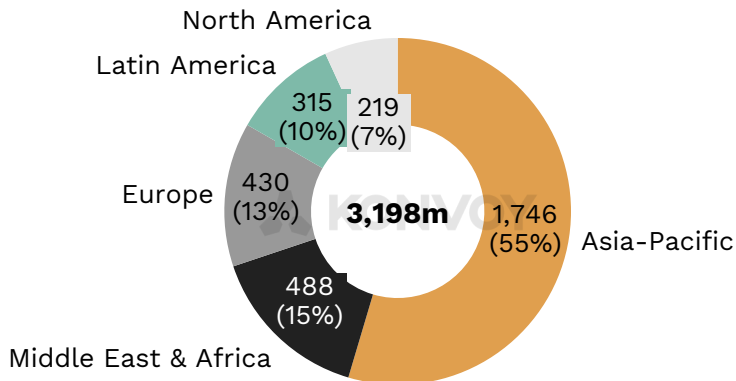
Gaming: at a glance

- **2023 market size:** \$201b (+9% YoY)
- **Public markets:** up 10-20% YTD
- **Venture funding in Q1 '23:** \$761m across 109 rounds (funding is +29% QoQ)

Key Trends

- Artificial Intelligence in Gaming
- Regulation update: M&A finalization, TikTok ban
- Epic opens up EGS publishing: Going head-to-head with Steam
- Epic brings UGC to its 70m Fortnite MAUs
- Google's shift to cloud services
- Roblox successfully ages up

Total gamers in 2022 by region:



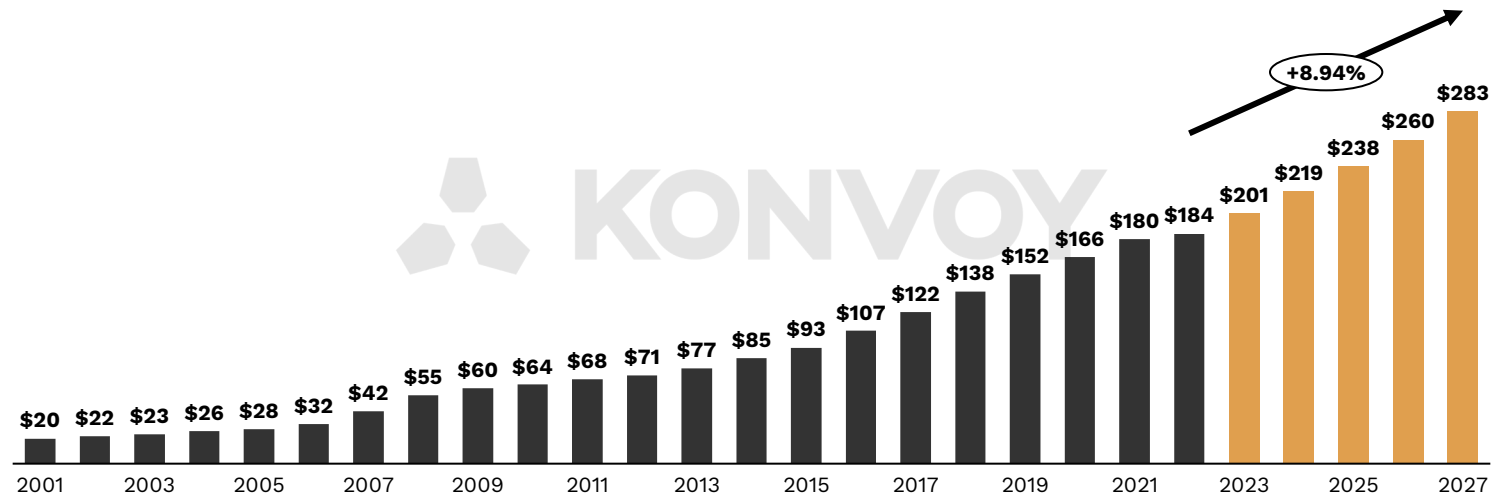
Source: CB Insights, Newzoo, Sony, Microsoft, Nintendo, public reporting, Drake Star



Gaming was a \$184b global market in 2022 and estimated to reach \$201b in 2023

\$ in billions

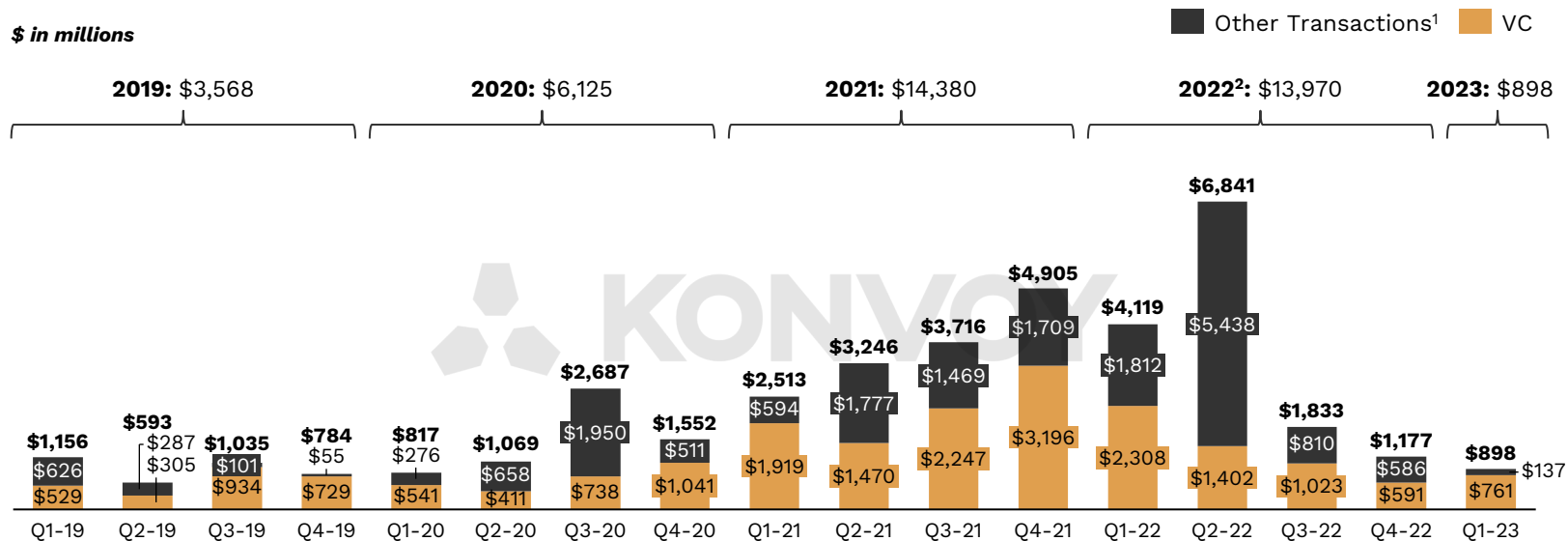
Actual Projected



Source: IFPI, Newzoo, Arstechnica, MPAA, Mordor Intelligence



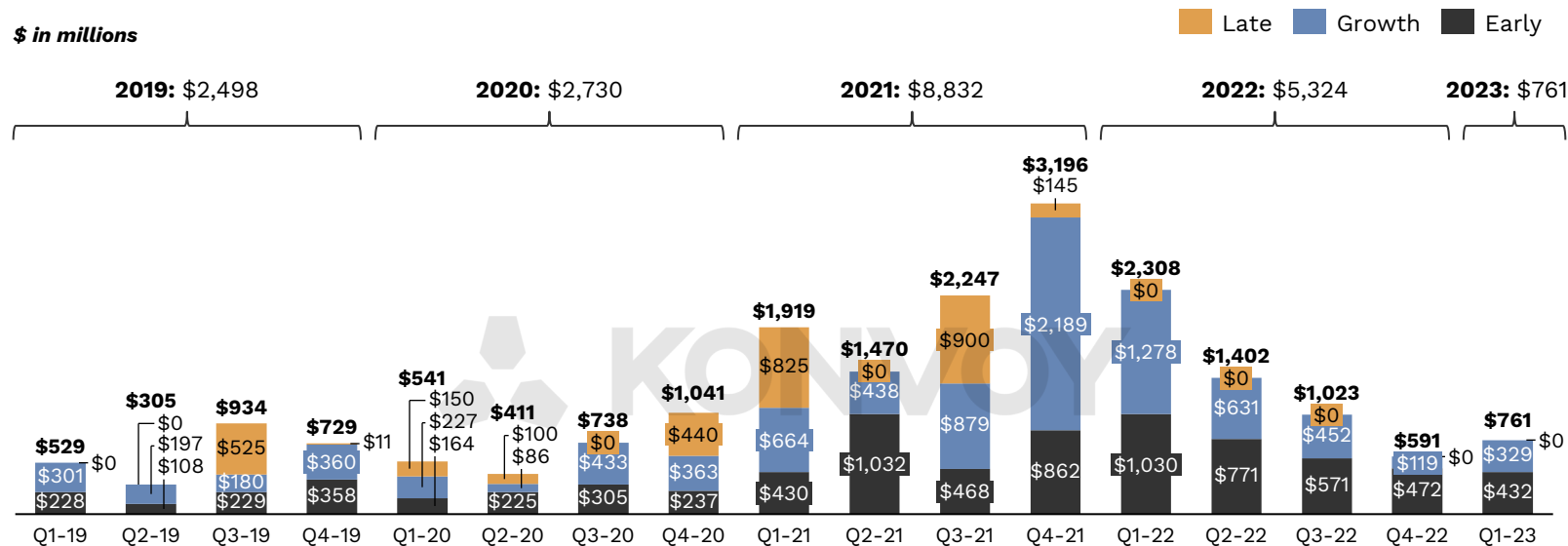
Gaming funding: private markets overview



1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: 2022 data includes ~\$4.4b in PIPE activity, primarily from large investments into Playtika, Embracer, Nexon, and NCSoft; Note 1: VC includes Pre-Seed through Series I VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



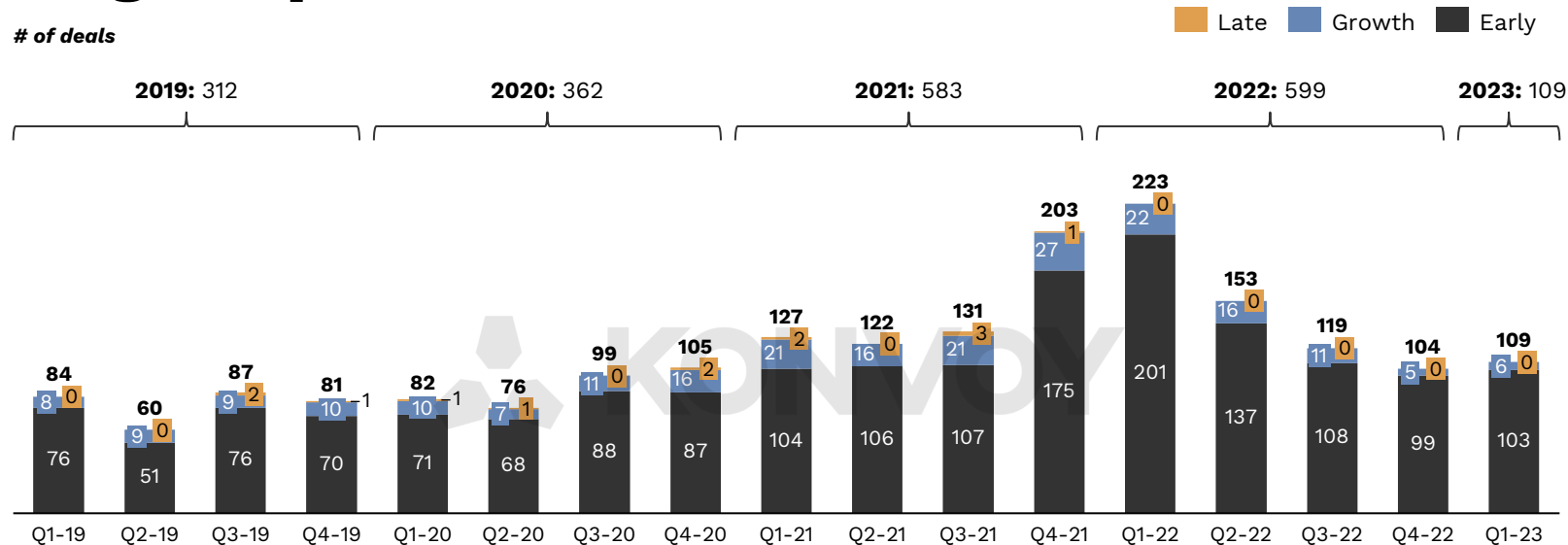
Gaming VC funding: Returning to pre-2021 levels



Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Note 3: CCP in Q1-23 (\$40m) is classified as a Series B (unattributed publicly), Believer is classified as two Series A rounds (not tagged as gaming in source); Source: CB Insights



Gaming VC deals: early-stage is vibrant, late stage is quiet

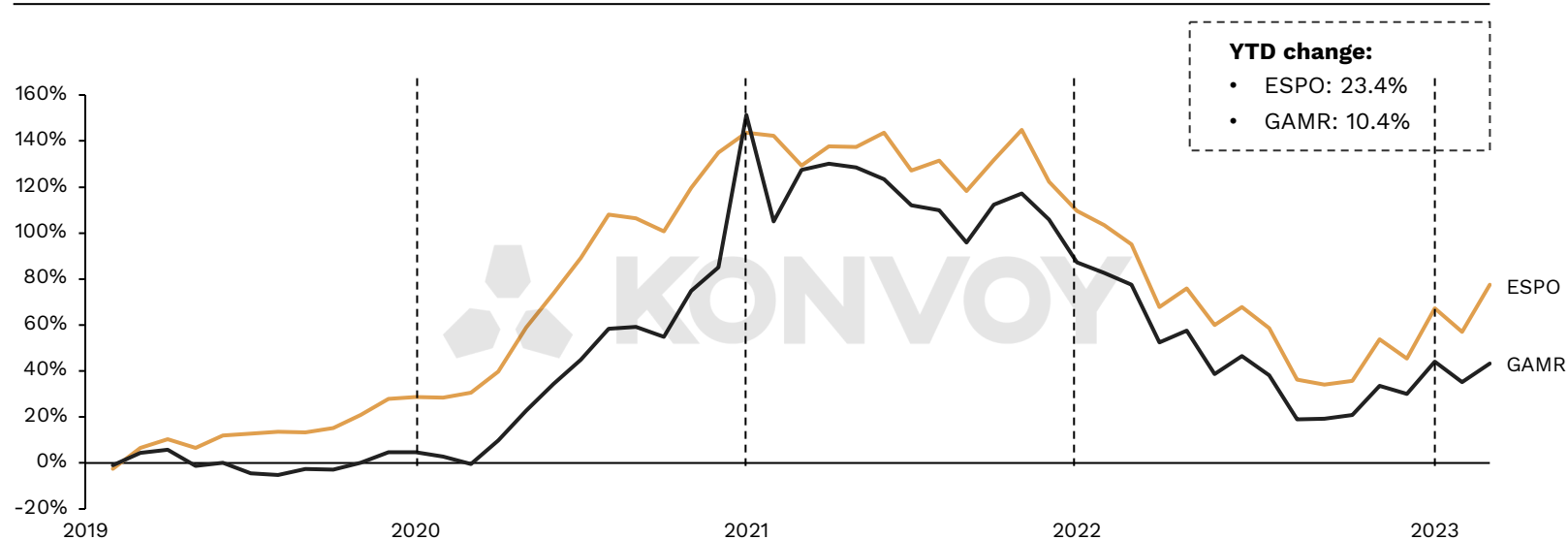


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Gaming in the public markets: up 10-23% YTD

Stock performance of Gaming ETFs: ESPO & GAMR, % change from January 2019










Source: Public reporting as of April 11, 2023; Note: ESPO seeks to track the MVIS Global Video Gaming and eSports Index (MVESPTR), GAMR seeks to track EEFund Video Game Tech Index









Public gaming companies hold \$48b in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
 Nintendo	\$9.7b
 Activision	\$7.1b
 sea	\$6.0b
 网易 NETEASE www.163.com	\$3.6b
 NEXON	\$3.1b
 ROBLOX	\$3.0b
 EA Electronic Arts	\$2.2b
Others ¹	\$13.0b
Total	\$47.7b

Tech companies with Gaming divisions









Company	Cash & equivalents ² (USD)
 amazon	\$53.9b
 Tencent 腾讯	\$22.8b
 Google	\$21.9b
 Apple	\$20.5b
 Microsoft	\$15.6b
 Meta	\$14.7b
SONY	\$9.7b
NETFLIX	\$5.1b
Total	\$164.3b

1: Bandai Namco, Ubisoft, Konami, Unity, Square Enix, Sega, Applovin, Take Two, Playtika, Embracer, Krafton, NCSoft; 2: Does not include short-term investments; Source: Latest public reporting (as of April 11, 2023)



Q1 2023: Largest game content VC deals

Game content investments – Q1 2023











Company	Stage	Raise, \$m	Region
 CCP Games	Series B	\$40.0	Europe
	Series A	\$55.0 ¹	North America
	Seed	\$21.0	North America
Kratos Studios	Seed	\$20.0	Asia
	Seed	\$20.0	North America
 *	Series B	\$15.0	North America
MiAO	Seed	\$14.4	Asia
	Seed	\$13.0	North America
	Seed	\$10.1	Europe
	Seed	\$10.0	North America

1: Source classifies Believer funding as two Series A rounds, one in Q4 '22 (\$25m) and one in Q1 '23 (\$30m) – deal is reflected as such in all other sides. In this slide, both are aggregated here to be shown as one Series A round in Q1 2023; * denotes Konvoy portfolio companies; Source: CB Insights



Q1 2023: Largest gaming tech & platform VC deals

Gaming Tech & Platform investments – Q1 2023

Company	Stage	Raise, \$m	Region
 VSPD	Series C	\$265.0	Asia
 PLAI LABS <small><PLAY WITH AI></small>	Seed	\$32.0	North America
 Carry1st *	Series A	\$27.0	Africa
 ILLUMIX	Series A	\$18.0	North America
 Guardz	Seed	\$10.0	North America
 createra	Series A	\$10.0	Asia
 Bayes ESPORTS	Series A	\$9.6	Europe
 ACADARENA	Series A	\$7.5	Asia
 Champions Round	Series A	\$7.0	North America
 GENPOP	Seed	\$6.5	North America

* denotes Konvoy portfolio companies; Source: CB Insights

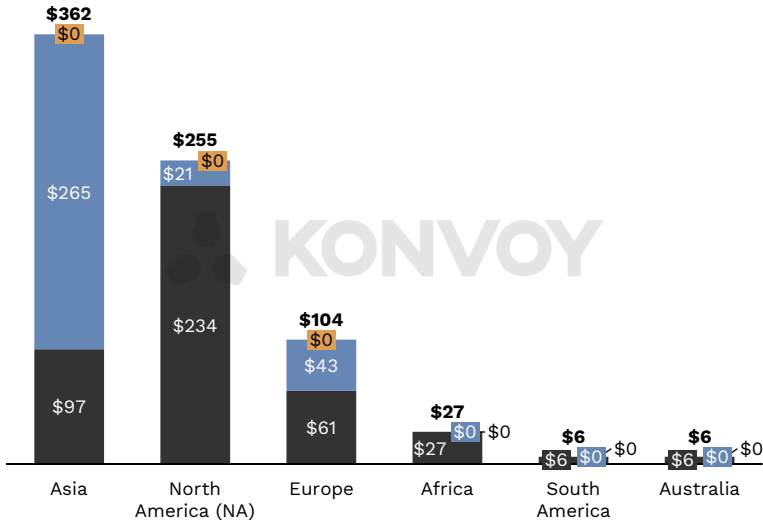


Regional Breakdown

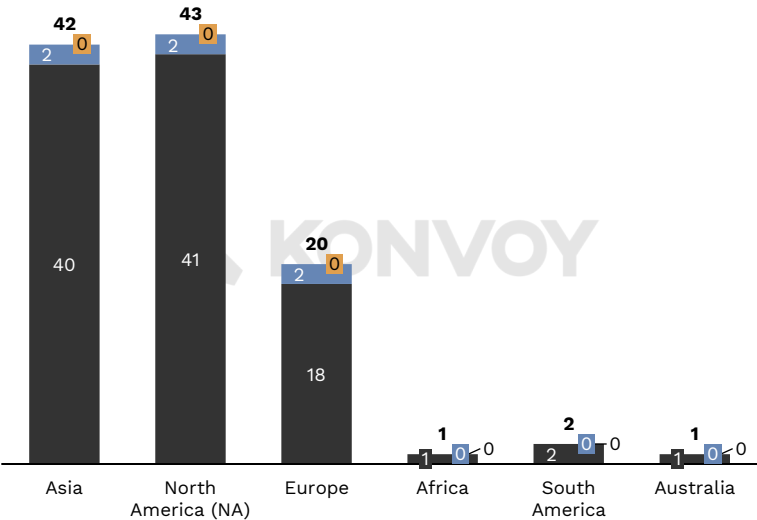


Gaming deals globally: at a glance

Gaming venture funding in Q1 2023, \$m



Number of gaming venture deals in Q1 2023

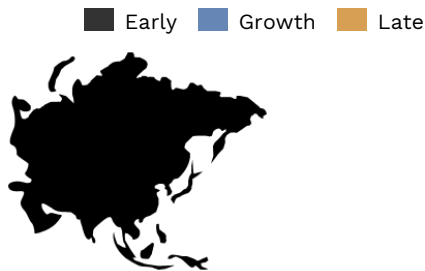
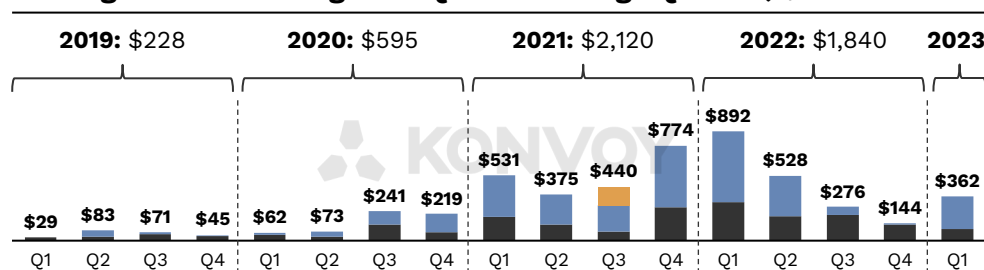


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Asia: received most venture funding globally in Q1

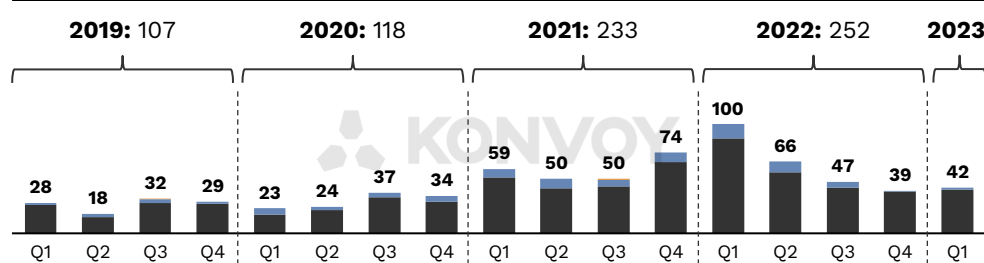
Gaming venture funding from Q1 2019 through Q1 2023, \$m



Largest gaming venture deals in Q1 2023

Company	Date	Deal size
VSPO	Feb-23	\$265.0m
Kratos Studios	Feb-23	\$20.0m
MiAO	Mar-23	\$14.4m
createrra	Jan-23	\$10.0m
ACADARENA	Jan-23	\$7.5m

Number of gaming venture deals from Q1 2019 through Q1 2023

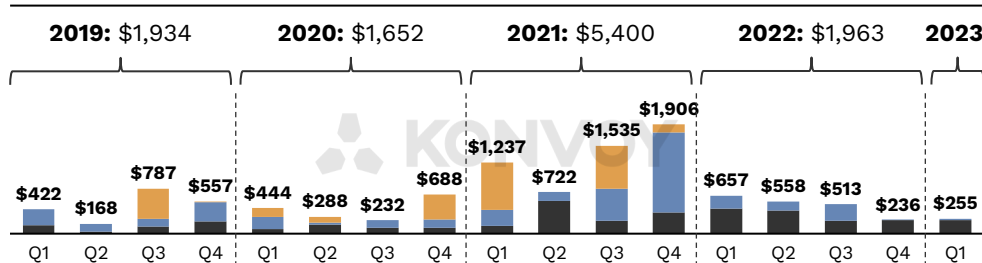


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NA: similar quantity (but smaller) deals vs Asia

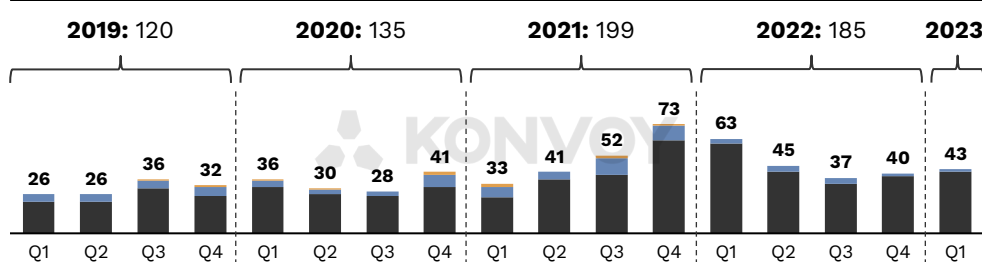
Gaming venture funding from Q1 2019 through Q1 2023, \$m



Early Growth Late



Number of gaming venture deals from Q1 2019 through Q1 2023



Largest gaming venture deals in Q1 2023

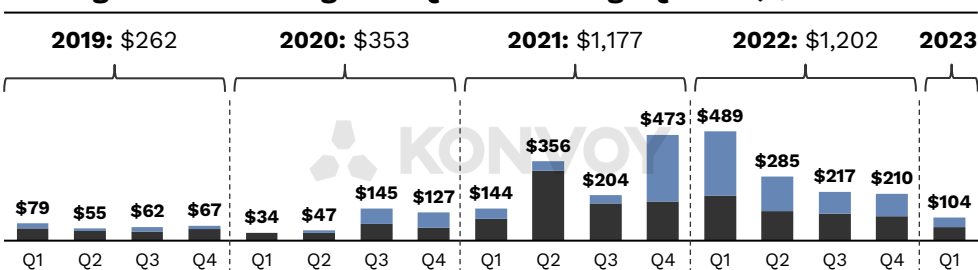
Company	Date	Deal size
PLAI LABS PLAY WITH US	Jan-23	\$32.0m
BELEVEN	Mar-23	\$30.0m
MATCHDAY	Mar-23	\$21.0m
G.T.B. G.T.B. ENTERTAINMENT	Feb-23	\$20.0m
ILLUMIX	Mar-23	\$18.0m

Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights; * denotes Konvoy portfolio companies



Europe: investment activity has slowed

Gaming venture funding from Q1 2019 through Q1 2023, \$m

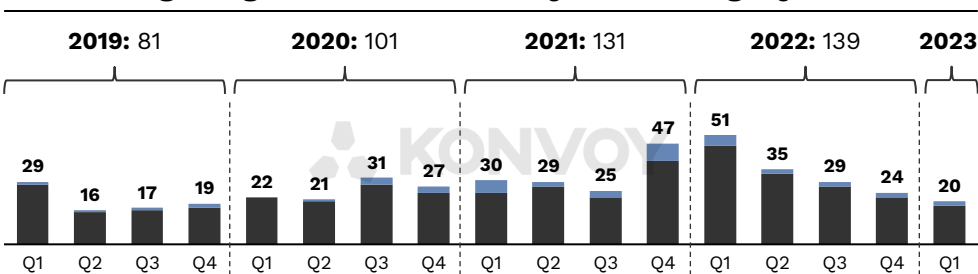






Early Growth Late



Largest gaming venture deals in Q1 2023

Number of gaming venture deals from Q1 2019 through Q1 2023



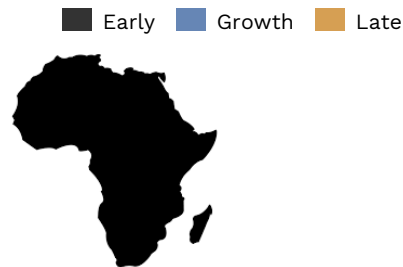
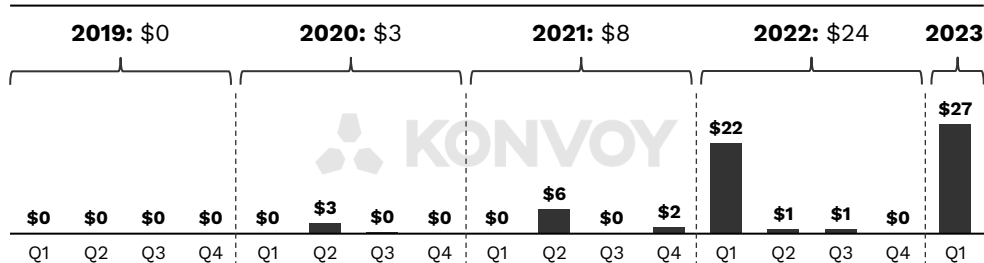
Company	Date	Deal size
 CCP Games	Mar-23	\$40.0m
 SEIOR	Jan-23	\$10.1m
Worldwide Webb	Feb-23	\$10.0m
 Bayes Reports	Feb-23	\$9.6m
 HARDBALL	Feb-23	\$5.2m

Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Africa: early yet has almost 200m gamers

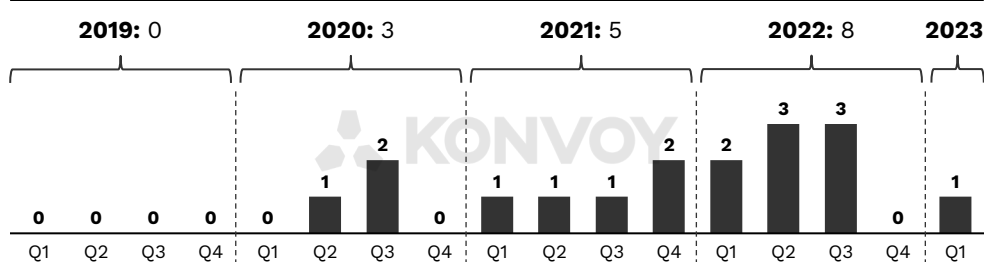
Gaming venture funding from Q1 2019 through Q1 2023, \$m



Largest gaming venture deals in Q1 2023

Company	Date	Deal size
Carry1st*	Jan-23	\$27.0m

Number of gaming venture deals from Q1 2019 through Q1 2023

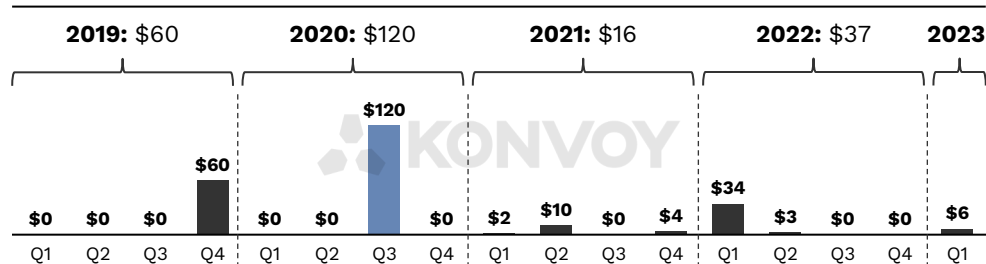


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights, Disrupt Africa; * denotes Konvoy portfolio companies



South America: first deals done since Q2-2022

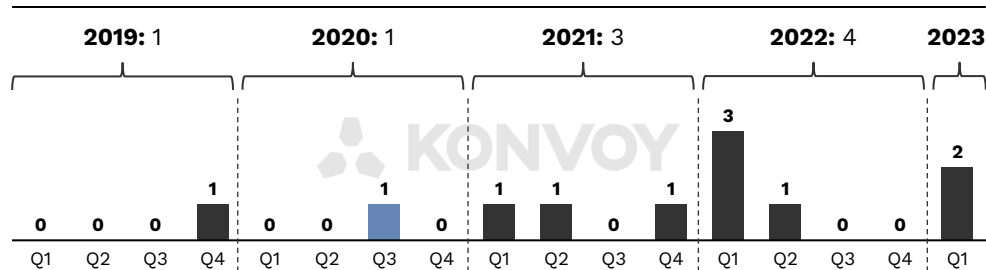
Gaming venture funding from Q1 2019 through Q1 2023, \$m





■ Early ■ Growth ■ Late



Number of gaming venture deals from Q1 2019 through Q1 2023



Largest gaming venture deals in Q1 2023

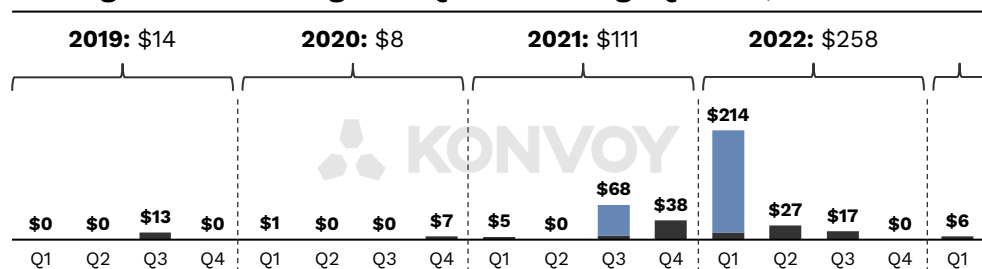
Company	Date	Deal size
	Mar-23	\$6.0m
	Jan-23	\$0.1m

Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Australia: nascent and sporadic deal activity

Gaming venture funding from Q1 2019 through Q1 2023, \$m



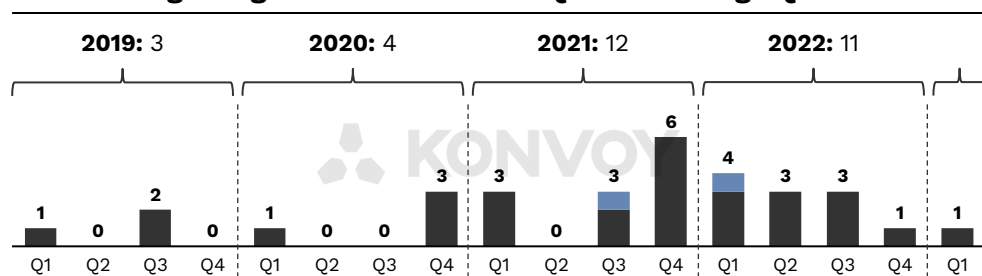
Early Growth Late



Largest gaming venture deals in Q1 2023

Company	Date	Deal size
OH BABY! GAMES	Jan-23	\$6.0m

Number of gaming venture deals from Q1 2019 through Q1 2023



Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



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- 2 Regulation update: M&A finalization, TikTok ban
- 3 Epic Games opens up Epic Games Store (EGS) publishing: Going head-to-head with Steam
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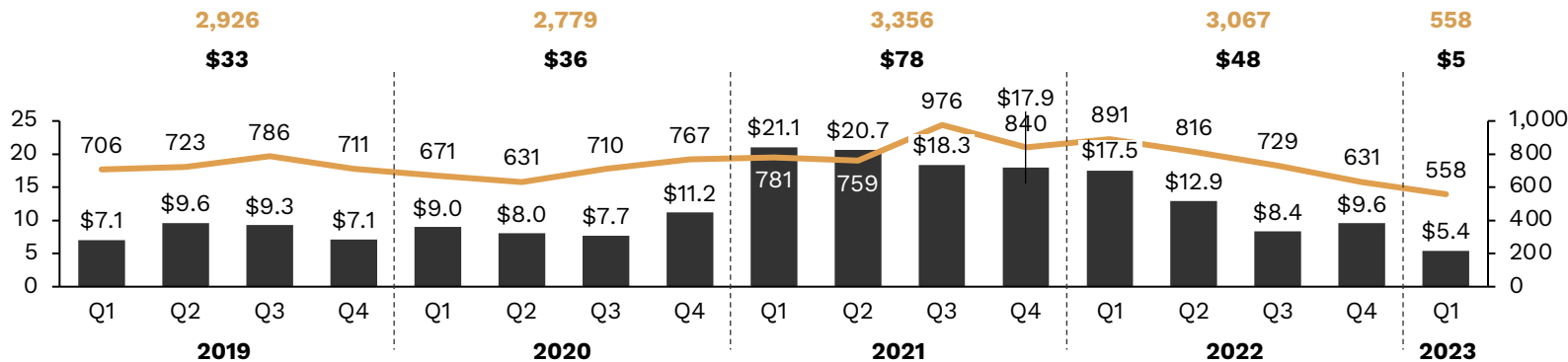


1 Artificial Intelligence in Gaming

AI as a trend is not a net new investment trend

AI equity financing (not gaming-specific) Q1 2019 through Q1 2023, \$b

— Number of deals ■ Venture funding



- While AI has been a hot trend in gaming, at the macro level, it has been a hot investment trend since 2020; the spike in funding in 2021 was likely due to larger deal sizes
- Gaming has recently been the next industry to receive a wave of investment interest
- In gaming, AI investment trends over the past quarter include AI-generated assets and conversational AI



Regulation update

M&A finalization, TikTok ban



MSFT <> ATVI

- No update from the FTC
- Japan Fair Trade Commission approved the acquisition on 3/28
- The EU is likely to approve the deal, with the full verdict due by the end of April
- Sony remains committed to its attempt to block the deal outright even with a 10-year licensing deal being offered by Microsoft
- For context, Playstation still has a 70:30 global console market share



Tik Tok Privacy Concerns

- TikTok is on track to be the most adopted social platform for Gen Z
- Concerns around CCP influence may shut down access in the US, with other markets to follow
- Unclear clear how the US banning TikTok will affect gaming near term - while a popular category, content is not a product of direct marketing / advertising spend
- Banning TikTok could have future negative effects on gaming UA



Meta completes acquisition of Within

- The FTC abandoned its suit to Meta from acquiring Supernatural developer, Within
- As anticipated, the FTC did not have a strong enough reason to block the acquisition for anti-competitive reasons
- The deal closed in February 2023

Source: Microsoft, Meta, FTC, Japanese Fair Trade Commission, The Verge



3 Epic opens up Epic Games Store (EGS) publishing



- Epic's distribution strategy has historically focused on a curated games library with a particularly strong emphasis on exclusives
- In March, Epic announced that its game store (EGS) was launching self publishing tools for the first time – this is the first major competitive threat to Steam in the game distribution market since the announcement of EGS itself back in 2018
- Today, EGS has ~68m MAUs (vs Steam's 135m+ MAUs)
- EGS will not only provide developers all the tools they need to build, test, and distribute games, it will also offer a compelling fee structure of 12% (vs Steam's 30%)

Source: Epic Games, Steam, VentureBeat



Epic brings UGC to its 70m Fortnite MAUs

Epic sidesteps UGC “chicken-and-egg” problem by leveraging Fortnite audience



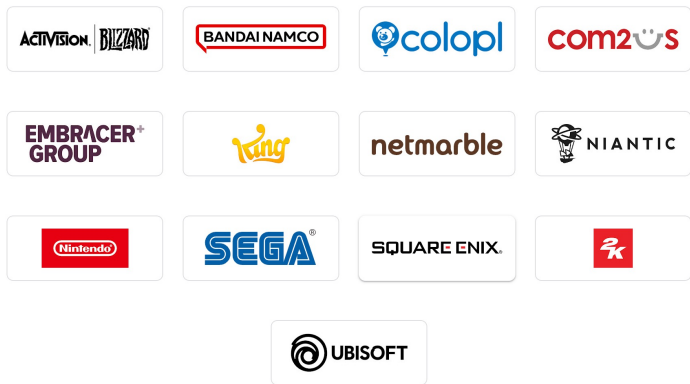
- UGC has received a lot of attention over the past 5 years (Roblox), with clear benefits - by outsourcing development to a passionate player base, platforms are able to more efficiently scale their content library
- However, one of UGC's core challenges is overcoming the “chicken-and-egg” problem, where a lack of players reduces creators' willingness to build new experiences, while a lack of compelling gameplay disincentivizes players to come utilize the platform
- Epic is able to solve for this by integrating directly with Fortnite, one of the most popular games of all time
- To capture the attention of prospective builders, Epic has pledged 40% of Fortnite's net revenue to creators

Source: Epic Games



5 Google's shift to cloud services

Google Stadia officially shut down in January 2023



Google Cloud gaming customers

- Google launched its latest gaming initiative through Google Cloud: Google Cloud for Live Games
- This shift from owning the medium to owning the infrastructure is a better fit to leverage the Google Cloud infrastructure
- There are 3 primary levers for this strategy:
 - **Serve players everywhere:** helps developers connect players with game servers built on the world's largest, most secure network
 - **Collect and organize game data:** easily store critical game and player data at scale with extremely low latency
 - **Unlock player and game insights:** helps developers understand what's working to find and retain players with Google's analytics and AI

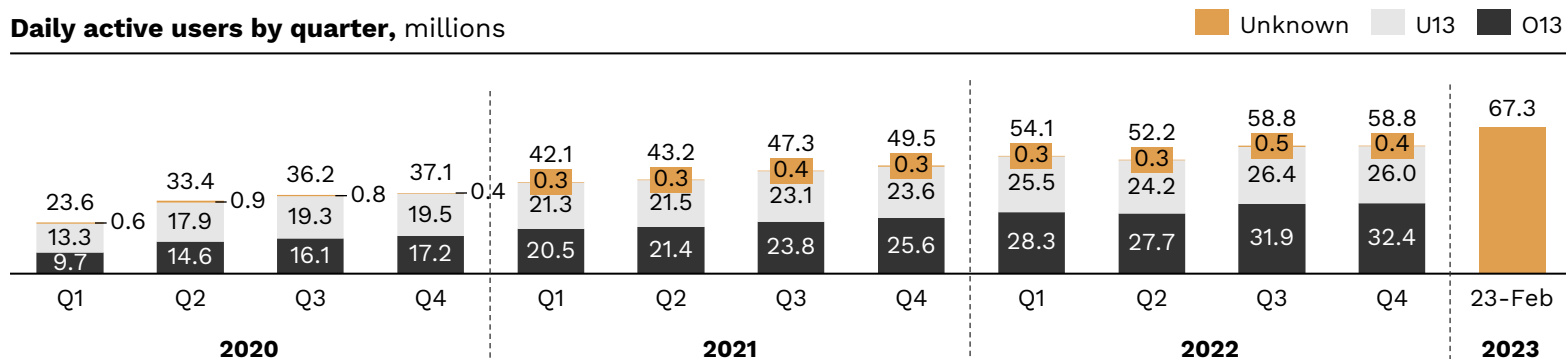
Source: Google Cloud



6 Roblox aging up successfully

22% increase in daily active users YoY

Daily active users by quarter, millions



- Since Roblox announced they were expanding support for their over-13 age demographic, Roblox has seen a consistent increase in both daily active users (DAUs) and revenue
- In February, Roblox reported that they had 67.3m DAUs (+14% increase since Q4 2022, +22% increase YoY; there has also been a ~20% increase in concurrent users in Q1 2023 vs Q4 2022)
- While a demographic breakdown for Q1 is still unreleased, we anticipate that the increase in activity is due to the over-13 age demographic

Source: Public reporting, Romonitor



Top gaming industry conferences / events

2023 events schedule

Event	Location	Dates	Category
Pocket Gamer Connects*	Multiple	Multiple	Gaming
Design, Innovate, Communicate, Entertain (DICE) Summit*	Las Vegas, NV	February 21-23, 2023	Gaming
South by Southwest (SXSW)*	Austin, TX	March 10-19, 2023	Gaming, Media
Game Developers Conference (GDC)*	San Francisco, CA	March 20-24, 2023	Gaming
NFT.NYC	New York, NY	April 12-14, 2023	Blockchain, Gaming
Augmented World Expo (AWE)*	Santa Clara, CA	May 31 – June 2, 2023	Gaming, Technology
Electronic Entertainment Expo (E3)	Los Angeles, CA	June 13–16, 2023 (Cancelled)	Gaming
Gamescom*	Cologne, Germany	August 23-27, 2023	Gaming
Tokyo Game Show	Tokyo, Japan	September 21-24, 2023	Gaming
Brazil Game Show	São Paulo, Brazil	October 2023 (TBA)	Gaming, Media
Slush*	Helsinki, Finland	November 30 - December 1, 2023	Gaming, Technology

* denotes events our team at Konvoy plans to attend



Konvoy: Summary + Team



Konvoy: by the numbers

\$252m

Assets under
management (AUM)

37

Portfolio companies

2

New investments in Q1 '23



3

Funds

38%

Of all funds invested
outside of NA

2

Deals led in Q1 '23

Our top newsletters published in Q1 2023:

1. [The Good and Bad of Free-To-Play](#)
2. [All Eyes on MENA](#)
3. [Will AI Kill UGC?](#)
4. [Brands Loosen Your Gr-IP](#)
5. [Future of Transmedia Entertainment](#)



Konvoy invests in the platforms and technologies at the frontier of gaming

Investment Stage

Pre-Seed, Seed,
Series A

Check Size

\$1m - \$5m

Fund III

\$150m





Left to right: Philip Collins, Dani Tran, Taylor Hurst, Jason Chapman, Jackson Vaughan, Dhinuka Perera, Josh Chapman

[Link to our socials here](#)

Konvoy Team

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