



Maktub

Create. Innovate. Inspire.

Frank Dalton

Financial Analysis

Business Plan

May 2, 2023

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## Executive Summary:

It is no secret that one of the largest trends across the world is the digitalization of society and the increasing dependence on and use of technology. All aspects of human life are directly affected by this progressing trend, ranging from large corporate entities using complicated software to little children learning to read on an iPad. The future is digital, and those who do not adapt to its this trend, take advantage of its uses, or appreciate its special power and value will be behind the curve.

The idea of Maktub was initially born out of passion for the creation of digital video games and their special capabilities for storytelling. However, with the challenging cost barriers to enter this competitive industry, a new idea for revenue generation emerged to hurdle these obstacles. As a result, the plan for this business has expanded beyond designing consumer products to providing digital design services to organizations. By harnessing the shared competencies and resources involved in both digital design and game design, Maktub will run as a self-sustaining business that combines the highest quality digital services with the creation of unique video games. Thus, the goal of Maktub is to revolutionize both the workplace and the living room.

<b>Purpose</b>	<b>Mission</b>	<b>Vision</b>
To revolutionize digital transformation for organizations and impact individuals with storytelling through game design	To offer quality UX/UI design services to our customers and use the revenue from these services to fund the creation of meaningful games that connect with our audience	To become the premier digital services company in Guatemala and for our games and stories to reach millions around the world

## Company Structure:

Maktub is composed of a unique structure due to its hybrid model of products and services and also due to its self-funding mechanism. The company is split into two interconnected departments, Maktub Digital and Maktub Gaming. Maktub Digital's goal will be to maximize revenue generation and cash flow. These resources will then be allocated toward the primary focus of the company which is to fund the game design process.

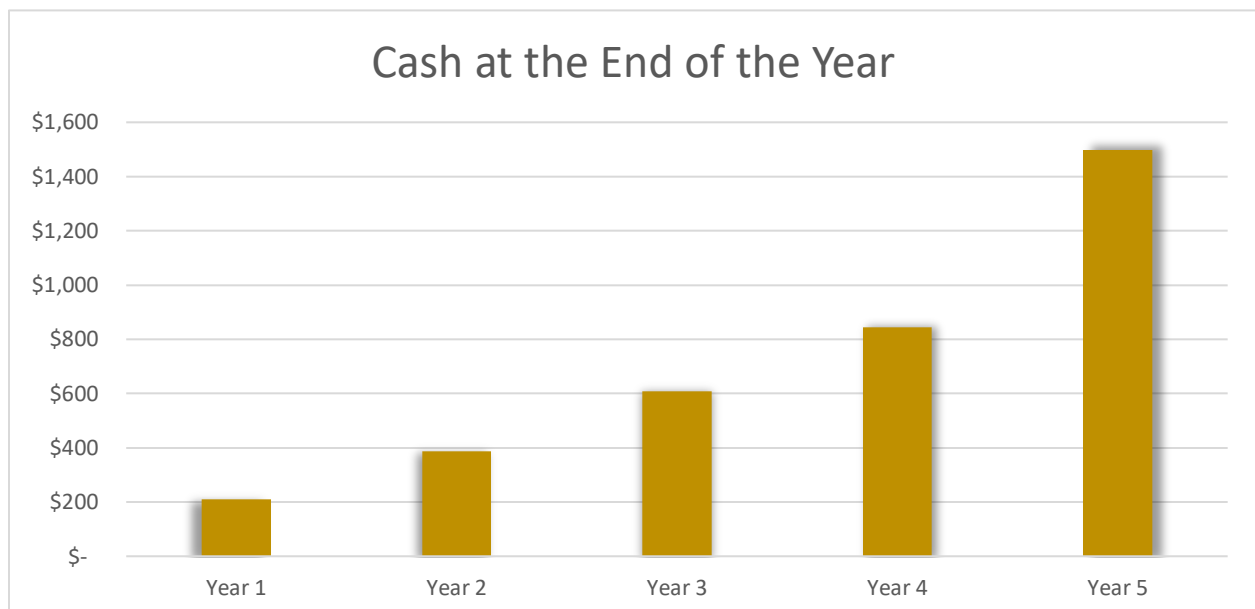
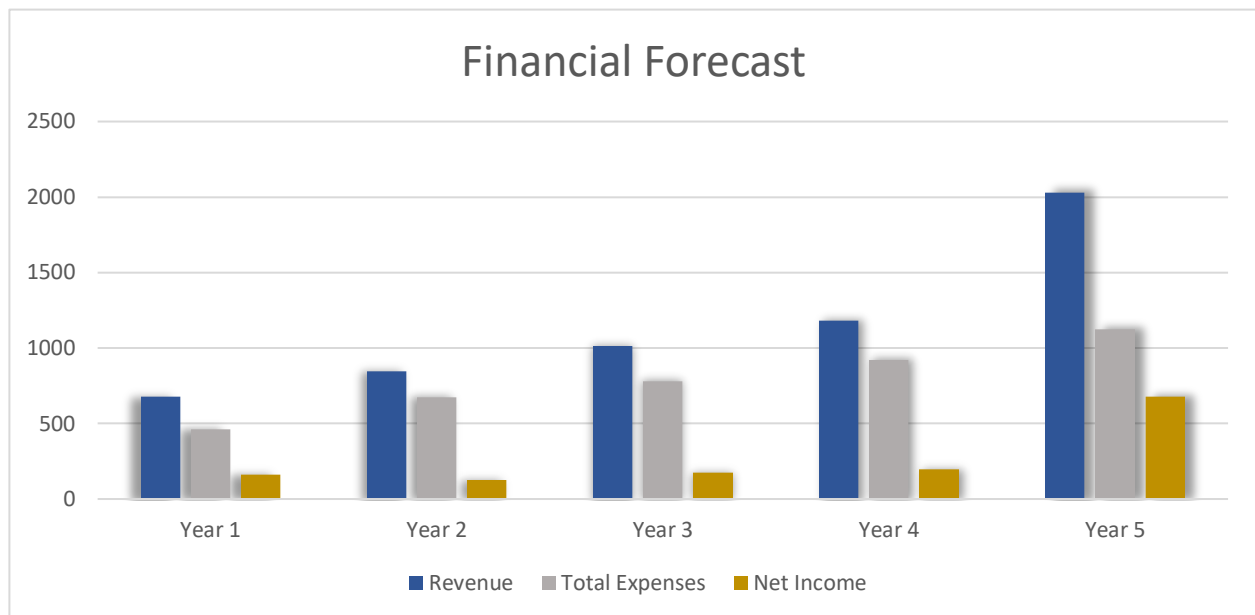
## Services and Products:

Maktub Digital's services will be focusing on a specialization in UX (user experience) and UI (user interface). These services will be offered primarily to companies in Guatemala and other Latin American countries in traditional industries that are in need of outside help to aid in their digital transformation.

Maktub Gaming's products will be targeting the Latin American gamer market by offering differentiation through cooperative games with a focus on a strong storytelling experience.

## Financial Overview:

Maktub will focus on slow, controlled growth in its initial stages. Generating cash flow is one of the primary goals while also building a large revenue base. The current forecast projects a steady increase in the company's revenue, culminating in a large revenue surge in year 5 when Maktub's first game release hits the market. These healthy margins are a result of Maktub's lean operating expenses and low equipment costs. Most importantly, with cash flow that grows substantially every year, the company will have more than enough excess funds to channel toward game development. Below are the financial projections.



## Market & Industry Overview:

Maktub is first and foremost a game development and design company, but its unique self-sustaining business model requires a brief look into the digital transformation services industry to demonstrate why it is a profitable industry to generate revenue from. Maktub's ultimate success depends on the synergistic relationship between the two departments. After a brief look at the digital transformation industry, the rest of the market and industry analysis will focus on the company's primary long-term goal which is to compete, innovate, and lead in the video game industry through Maktub Gaming.

### Digital Transformation Industry Overview:

Digital transformation is the process by which companies adopt and implement new technologies in their business processes, culture, and customer experiences to drive fundamental change and deliver better value. In 2022, the digital transformation market size had a value of \$1.91 trillion. This number is expected to increase to \$2.27 trillion for 2023 and reach \$8.92 trillion by 2030. In other words, this forecast period has a projected 21.6% CAGR. This incredibly fast growth projection in the industry has significant implications for the competitive landscape, market segmentation, and differentiation. Due to the industry's global nature and the breadth of its services and products, specialization is crucial, and most service providers tend to stick to one or a few technical areas. Some of the primary technologies that are taking over in this industry include things such as AI, cloud computing, and machine learning. In conclusion, with such a rapidly expanding market, the potential for offering profitable services proves to be a lucrative option.

### Video Game Industry Overview:

Like the digital transformation industry, the gaming industry has similar exponential growth expected in the coming years. At a CAGR of 12.9% for the next ten years, the market is expected to grow from around \$196 billion in 2021 to \$743 billion by 2032. As of 2023, there are over 3 billion active gamers. Some of the reasons for increased demand for video games are due to the widespread adoption of smartphones, improved technology in gaming consoles and computers, and increased internet penetration across the world. E-sports competitions are also a crucial factor in increasing the awareness and popularity of video games. The virtual reality gaming sector is also projected to increase from a decent \$8 billion in 2021 to a whopping \$53 billion by 2028. Additionally, gaming is now being widely considered as a tool for learning and education. As the industry grows and the applications for video games expands, the independent gaming sector is expected to increase in importance. In recent years, there has been growing consumer dissatisfaction due to a lack of innovation from the premier game developing companies, or AAA companies, as they are called. This has opened the door to new opportunities for change and differentiation.

## Maktub Gaming PESTLE Analysis:

### P

**Political Factors:** The biggest political factor is that games with geo-political themes are sometimes politically sensitive and can be banned in some countries. Complex trading relationships between certain countries can also cause rising prices due to tariffs on these types of luxury goods. Obviously, this danger is much less of a challenge with digital game copies. Lastly, when there is more political crisis around the world, people become less focused on entertainment and more on survival.

### E

**Economic Factors:** Economic recessions typically cause demand for video games to decrease since they are not high on the list of necessary goods. It will be important to monitor the global economy in the coming months to determine the direction the market is trending. Rising inflation and a lack of disposable income also reduce much of the spending on video games. However, demand for games did increase in certain parts of the world even during the economic turmoil of Covid-19. This can be attributed to people seeking to connect over games due to social distancing and lockdowns.

### S

**Social Factors:** After a controversial history, there has recently been a much more widespread acceptance for video game use. While many have raised concerns for negative aspects of gaming such as addiction and cyberbullying, many more have started to see potential for positive outcomes such as education. Recent medical research has also proven the existence of some health benefits to gaming, and psychological studies have disproven some of the concerning claims that attributed increases in crime to violence in games. Additionally, after Covid-19, video games have become a favored source of interaction and social connection.

### T

**Technological Factors:** The rapid development of Artificial Intelligence is something to watch closely due its potential for heavy impact on the game development and design process. A robust AI software could greatly reduce the time and costs needed to produce a game. The popularity of virtual reality gaming technology is also proving to be an attractive addition to industry growth and a growth in the customer base. Consistent improvement in 3D graphic technology is another technological factor that continues to make games more appealing to the masses.

## L

**Legal Factors:** Depending on the country, there are strict copyright laws in place to protect intellectual property and promote game development. Some countries also have strict laws regarding content in media which means that some creative freedom is lost depending on the type of game one is making. Companies also find themselves pressured to follow the rating guidelines for games from The Entertainment Software Rating Board to access the major distribution networks. While this is technically not obligatory, the primary game distribution channels generally refuse to distribute and promote games that have not been vetted by the board.

## E

**Environmental Factors:** Environmental concerns in the gaming industry are typically directed toward console and hardware manufacturers rather than game design companies. However, environmentalists have started harshly criticizing the gaming industry since gamers utilize a lot of energy when consuming gaming products. This energy consumption results in a significant amount of carbon emissions. It is possible that bans or penalties of some sort may begin to be seriously considered as the industry grows and emissions increase. Regardless, it is important to note that despite these criticisms, the gaming industry is not expected to slow down any time soon.

### Porter's Five Forces Analysis:

## 1

**Competitive Rivalry = HIGH.** The level of competition in the gaming industry is very intense due to the large number of companies in this gigantic market. Since there are so many potential suppliers, buyers face little to no switching costs when choosing and purchasing games. The exponential industry growth also fosters more aggressive competition as companies seek to capture more of the new market share.

**Threat of New Entry = HIGH:** In today's media dominated age, it can be relatively simple to break into the gaming market. Many of the basic resources for game development are free or relatively cheap. Thus, there are small entry costs and barriers to new competition. Additionally, the market's growth will attract new competitors seeking to obtain a portion of the profits.

## 2

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**Threat of Substitution = Medium:** Due to the fast rate of innovation in technology in the modern world, there is potential for rapid change to make some games and companies obsolete. However, there are currently no existing products that can directly substitute for video games. The only thing substituting a video game is a better, more improved video game. As result, there is security in the product category itself for the foreseeable future.

**Supplier Power = Low:** The enormous size of the game development companies pool means that individual supplier is typically weak. Additionally, the sizes of companies vary considerably across the board. They range from companies with thousands of employees to lone game developers. This size diversity does create potential for some moderate differentiation, but it is ultimately somewhat limited. As the industry continues to grow, supplier power is expected to remain low due to the vast amount of options.

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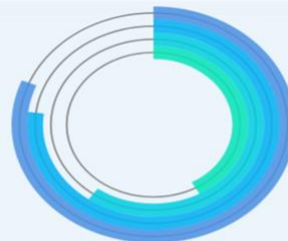
**Buyer Power = Low:** Similarly to supplier power, buyer power is extremely low since the majority of the customers in the gaming market are individual purchasers. With the exception of some larger distributors, most buyers are small buyers. As the market expands and available game options grow, new buyers are being attracted to the industry and the customer pool is continuously getting larger. Thus, buyer power should remain low going forward.

### Demographic Analysis:

Video games have dramatically improved in popularity across numerous statistical metrics. The current number of active gamers stands at over 3 million users. Therefore, with a world population of around 8 billion people, video games are a relevant and active ingredient in the lives of around 40% of the people on the planet. They also prove to have a broad appeal among a variety of different age groups.

**Percentage of Generations That Play Video Games:**

Gen Z: 81%  
Millennials: 77%  
Gen X: 60%  
Baby Boomers: 42%





Historically, video games have also been criticized as a childish activity that caters toward a predominantly niche male audience. Demographic data in recent years emphatically disproves this misconception, however. The average gamer is in their mid-30s, owns a house, and even has children. Additionally, women compose almost half of the gaming population in the world today. Another promising statistic is that even though some people claim that video games cause harmful addiction, less than 10% of gamers struggle with compulsive gaming problems. Another interesting dynamic that has emerged with recent data is the presence of multi-generational gaming in households. Parents who were gamers in their youth now share a passion for video games with their children. The emerging element of community through gaming is one of the key strengths that Maktub will leverage.



### History:

Video games have been a relevant part of human society and entertainment for over half a century. In the years since Atari's Pong first captured public attention, the gaming industry and its technology have evolved and changed dramatically. From this groundbreaking form of entertainment, a thriving gaming hardware market emerged, tens of media categories have been created, and countless people have spent hours of their lives in a virtual realm. The rise of the internet expanded the creative possibilities to even greater heights, but video games initially began as much more intimate activity. In the earlier days, gamers typically would play simple computer games on their own or they would go to a friend's house for some engaging competitive fun on the most recent console of the day. For example, the most popular games of the late 90s and early 2000s involved competitive multiplayer games that still relied on a certain degree of personal interaction between the participants. However, as the gaming industry has grown larger in the 21<sup>st</sup> century, the trends that game development companies have followed are dramatically different from their predecessors. The community aspect of gaming has shifted almost completely to a fully online format and to massive multiplayer games that pit thousands of strangers in competition with each other.



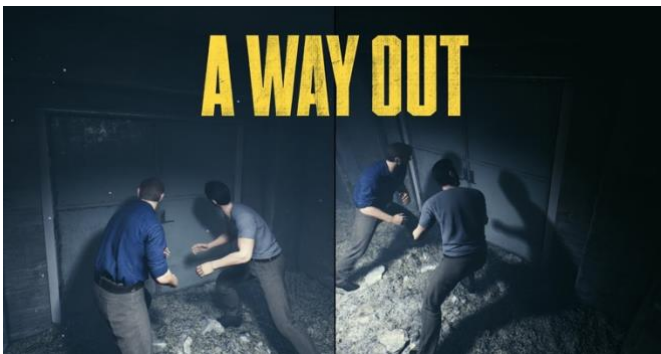
Maktub is committed to recapturing the constructive community and robust rapport that classic games like *Mario Kart* and *Smash Bros* previously brought to the table. These games (commonly known as couch co-op) were focused around creating memorable moments of fun connection amongst the gamers themselves. While today's online games technically do provide a place where gamers can interact, cooperative gaming and meaningful connection is not their strong suit.

Aside from the community element of gaming, Maktub is a brand committed to storytelling, and there is currently no better medium to do so than through gaming. Contrary to community, storytelling has improved with the advent of more modern technology. With better motion capture technology and improved graphics, game developers have been able to create games of a much larger scale. Furthermore, this technology has allowed games to become increasingly more realistic which makes for more engaging characters and storytelling. A handful of the largest AAA gaming companies have consistently dominated in developing the most engaging and most famous role-playing story games. Rockstar Games, for example, is estimated to have spent \$291 million on *Grand Theft Auto V* and a staggering \$540 million on *Red Dead Redemption 2*.



## The Opportunity:

There has been a growing sentiment of dissatisfaction from gamers toward the primary development companies in recent years. It is not uncommon to hear them criticize the current state of creative stagnancy and complain about companies consistently choosing money over their customers with things such as microtransactions within games. As a result, smaller game development companies have started to grow in popularity as alternatives with original ideas and passionate storytellers. Thus, it is a ripe time in the industry for an aspiring company to find a niche and differentiate itself from the pack. A perfect example of this which Maktub seeks to emulate is Hazelight Studios in Sweden. This medium size company of around 65 employees has created two of the best cooperative multiplayer games of the last decade which are depicted in images below. These two award-winning games are an excellent illustration of cooperative games that connect their users through a deep storyline, and this is precisely the segment of the market that Maktub will be targeting. Few other companies in the world are creating games with the two distinct characteristics of cooperation and storytelling, and even fewer are located in Latin America and have the funds to develop high quality games to compete in this sector. Maktub, therefore, has a great opportunity to become an industry leader in games of this category.



## The Customer:

There is a distinct target customer for Maktub's future products. As mentioned earlier, Maktub's goal is to become a leader in the Latin American sector of the gaming industry, and it will focus on the elements of story and collective gaming. As a result, Maktub's games will primarily target older adolescent and adult audiences who can best appreciate the emotional power of participating in a thought-provoking storyline with a fellow gamer. Life's most profound questions are typically matters of weighty significance, and it is necessary for the gamer to possess a certain level of maturity to understand these themes. Additionally, these games will most appeal to the specific group of people who want to enjoy a connecting experience through a game. Thus, in a short description, Maktub's target customer is a Latin American individual at least older than 16 years of age who is interested in a thoughtful, relational gaming experience.

## Competitor Analysis:



- › Very small gaming company based in Mexico
- › Focus on interactive VR games
- › Products range from small mobile games to full-fledged games for larger consoles
- › **Biggest strength:** Minute size allows it to customize products to specific customer needs
- › **Biggest weakness:** Limited product scale and mediocre quality in existing games

- › Medium-sized gaming company founded in Mexico
- › Broad gaming portfolio but future gaming products have an educational focus
- › Proficient in VR/AR game design
- › **Biggest strength:** Established connections with game development educational programs
- › **Biggest weakness:** lackluster gaming products that offer little to no differentiation



- › Medium-sized gaming company with operations in Canada and Mexico
- › Broad portfolio of products and services, ranging from web development to game design.
- › **Biggest strength:** Specializes in customized games for specific customer preferences
- › **Biggest weakness:** chaotic array of products and services creates uninspiring results across all categories

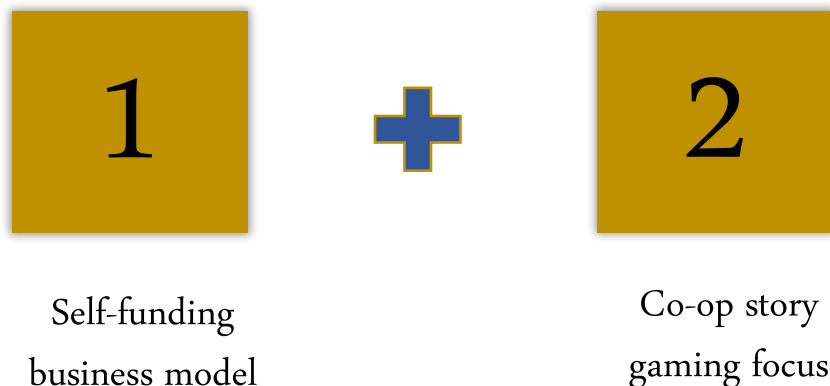


- › Medium-sized gaming company based in Mexico
- › Company has distinguished itself with several gaming awards in industry
- › **Biggest strength:** From its founding, the company established a reputation for high quality games
- › **Biggest weakness:** Company has lost some relevance since it has not released a proper gaming product since 2012



### Maktub's Differentiation:

After a quick look at some of the competitors of similar size in the Latin American game market, it becomes clear that Maktub has no direct competition. Most of the companies in the surrounding regions focus on much smaller projects, have no tangible differentiation, and have struggled to make a significant impact with their games. This limitation is due in large part to the high costs and prolonged time that making a high-quality game entails. Instead, these companies look to provide customizable services and products that will give them a return in a much shorter window. Maktub will not be bounded by these same constraints due to two primary elements.



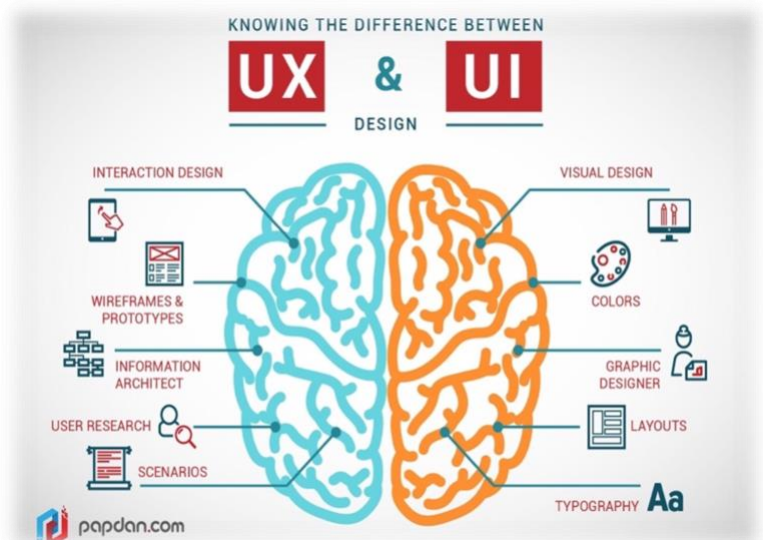
## Strategy Formulation:

To discuss Maktub's strategy, it is necessary to take another brief look at Maktub Digital and how the digital transformation services will interact with the game design. Once their synergistic relationship has been established, the rest of the strategy analysis will focus on Maktub Gaming. The idea of Maktub Digital originated as a solution to the time and money problems that game development poses. Since quality games normally take years of heavy capital investments, Maktub Digital's goal is to eliminate this process. Upon generating revenue on the first year, Maktub Digital will create the necessary funds for Maktub Gaming to begin game production. Since the company can fund itself, there is no need to go into debt to produce a game, and there is no rush to release the game before it is perfected.

### Maktub Digital Core Elements:

- Short-term focus
- Hire cross-functional teams to offer integrated digital solutions
- Target clients in traditional industries who have little to no digital experience
- Specialized services in UX and UI design
- Goal is generating excess cash flow to fund game development initiative

The UX and UI specialization choice is also a strategic decision to further maximize efficiency and reduce costs. Since these two digital fields are indispensable in game development, specializing in them will already come in handy. Additionally, Maktub can share much of its talent, experience, and equipment across the two departments.





For both of Maktub's departments, the business unit strategy is product differentiation. On the digital transformation side, it will be through its UX and UI services expertise. On the game development end, this will occur through the unique gaming product of a co-operative role-playing story game.

### Maktub Gaming Core Elements:

- Long-term project focus
- Use cash from digital development services for R&D for game development products
- Harness talent and experience from digital development
- Target the story-based couch co-op games niche
- Build brand awareness in Latin America

## First Product:

Maktub Gaming's first game idea takes part of its inspiration from a piece of classical literature, namely the novel *Ben-Hur*. As a tribute, the game itself will be called *Hur* and will contain similar elements to the novel. The two playable characters in the game are two lifelong best friends who find themselves increasingly at odds as they grow into early adulthood. The gamers will have to navigate the complicated choices and actions of the two characters. The game will explore the themes such as personal responsibility, the consequences of actions, moral pragmatism versus idealism, and the butterfly effect of human choices. The goal of the story is to thrust the players into challenging scenarios that will cause them to consider the weight of their decisions. Each choice in the story will have consequences in how the end of the story unfolds. With multiple different endings, the game will constantly be fresh and will show the different results that small variations in action may entail. Thus, the role of fate will also ultimately be one of the core points in *Hur*. The gameplay will be a mixture of the action-adventure and dramatic genres. By balancing both genres, *Hur* will be an engaging cooperative playthrough but also be a stirring emotional experience. There are a few twists added to the game that will make the cooperative elements even stronger than the best cooperative games currently on the market. For example, the fate of each gamer will partly rest in the hands of the other, making the stakes higher than ever. Furthermore, each gamer will possess certain information that the other does not, which means that the full perspective of the game will remain hidden to both until the very end since each gamer only contains a few pieces of the puzzle. The ideal way to play the game will be locally, but online play will be available to allow long-distance friends and family to enjoy it together. Regardless, *Hur*'s story will revolutionize storytelling and community in the gaming industry.





## Location Selection:



Both founding partners who came up with the idea of Maktub are from Guatemala, and they are inspired by the idea of being Guatemala's first internationally renowned gaming development company. Aside from the passion for their home country, however, there are several practical reasons for why it is a good location for Maktub.

## Cost of Living:

Guatemala City, the capital of Guatemala, is a thriving metropolis with a rich culture and diverse economy. One of the many advantages of Guatemala City is its low cost of living and operating expenses, making it an ideal location for starting and running Maktub. The cost of rent in Guatemala City is significantly lower than other cities in the Latin American region. This low cost of rent means that the company can save significant amounts of money compared to other cities in the region, such as Mexico City or Bogota. The average rent for an office space in Guatemala City that can accommodate 20 to 30 people can vary depending on the location and the amenities offered. However, according to recent data, the average cost of rent per square meter in a commercial area in Guatemala City is around \$12.46 per month. Therefore, for an office space that can accommodate 20 to 30 people, assuming an average size of 200 to 250 square meters, the average rent would be between \$2,492 to \$3,115 per month. However, it is important to note that this is only an estimate, and the actual cost of rent may vary depending on the specific location and amenities of the office space.

## Transportation Advantages:

Guatemala City and its central location in Central America is crucial commercial advantage. The city has excellent air and ground transportation connections to other cities in the region, which can be an advantage for a media creation agency that needs to travel to other locations for shoots, events, or meetings. Additionally, Guatemala City has a modern and well-equipped airport that offers regular direct flights to major cities in North and South America, which facilitates connections to clients and partners in other parts of the world.

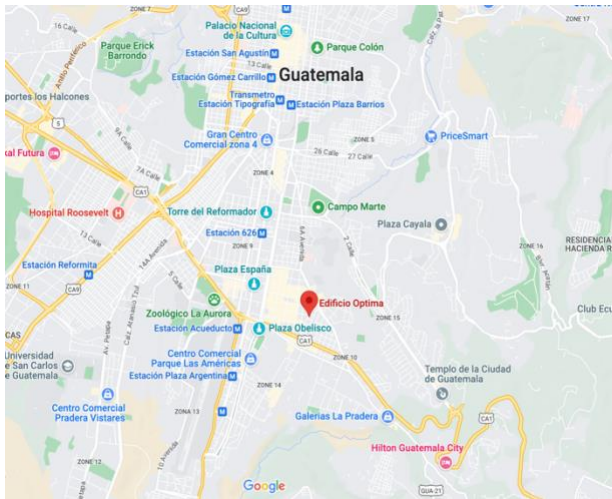


## Cost of Labor and Talent Pool:

The cost of labor in Guatemala City is also relatively low compared to other parts of the world. The average salary for a media professional in Guatemala City is around \$700 per month and the average salary for a software developer is around \$1000 per month. Both of these figures are significantly lower than in other cities in the region such as Buenos Aires or Sao Paulo. This low cost of labor means that Maktub can hire more staff for the same amount of money as compared to its competitors, which can result in higher productivity and greater efficiency. Additionally, Guatemala City has a large and diverse pool of talented professionals in the media industry. The city has several universities and colleges that offer degrees in subjects such as media, communications and computer programming which are directly related to the business operations. Maktub plans to harness this human capital resource by aggressively recruiting college graduates for internships and entry level jobs.

## Headquarters Location:

As a game design company, Maktub requires much less physical infrastructure and office space than the typical startup. With a small population of employees, a moderately sized office is all that is necessary to begin operations. At the bargain price of \$12.50 per square meter, or \$1.16 per square foot, Maktub will be located in one of the central areas of the city. This sector of Guatemala City is known as Zone 10 and is categorized as the city's premier commercial and financial sector. Renting in this sector also has security advantages which can sometimes be a primary concern in some parts of the city. This office space will be rented for a total of \$3,125 per month for 2,690 square feet of space. While this price is slightly above the average, the office will already be fully furnished at this price, and Maktub will be in a premium location in the metropolis. As operations expand, space may be tight relatively quickly, but the flexibility of game design work should allow Maktub to adapt to these limitations. Finally, the office is located in one of the newest buildings in business centers in the city. This privileged location perfectly fits Maktub's culture as a visionary company who pursues the future with intentionality, commitment, and purpose.



## Sales and Marketing Plan:

### Sales Strategy:

**Digital Transformation Services:** Maktub Digital will target companies in traditional industries who have little to no experience in the digital world. The company will have a designated research team whose goal will be to generate new client leads and identify potential contract opportunities. There will also be a sales team who will work on offering the digital transformation services and securing the project contracts. While the company specialty will be in UX and UI design, the goal is to offer integrated digital development to the client companies and rent out each individual employee for a monthly sum. Offering a complete digital solution package will also ensure that Maktub is prepared to handle all of the clients needs without the need of including a third party contractor. By contracting with a client for a project lasting several months, a steady and secure stream of revenue is ensured and the staff utilization rate remains high. These projects can range from web design to full-stack development, and will include other digital fields. However, Maktub Digital's trademark will always be its expertise in creating the best digital UX and UI results for clients.

**Game Development Products:** Maktub Gaming will target the Latin American gamer market by releasing *Hur* as a game in Spanish with elements oriented toward that market. However, due to the ease of digital distribution for games, it is expected for the game to become available in English and other languages soon after the games' completion. The detailed description of the game has already been included above. Maktub Gaming's subsequent games are expected to follow a similar mold and remain in the cooperative role-playing games niche.

### Pricing Strategy:

**Digital Development Services:** Maktub Digital will operate on a pricing strategy that charges clients per employee per month. While the average salary for a programmer or media professional in Guatemala is around \$1000 per month or less, Maktub will offer its employees a more competitive salary of \$1200 per month. Maktub will then hire each employee out at a rate of \$3600 per month, or around \$20 per hour. This may seem like a steep markup but due to the client base that Maktub is appealing to it is a reasonable and feasible price. A company in a traditional industry will be far better off hiring a quality digital services company to take care of its problems than trying to spend the time and money to do so on its own. Additionally, including these margins is necessary to create a large revenue stream to channel toward game development.

**Game Development Products:** Maktub Gaming will initially charge \$45 per copy of *Hur*. This is lower than the AAA industry average of \$60 because Maktub will not yet possess the prestige or influence of larger game developers. Contrary to most popular games, *Hur* will not feature in-game microtransactions either. Depending on the game's success, however, downloadable content (DLCs) may become available for smaller sums to add certain features to the game.

### Marketing Strategy:

**Digital Development Services:** As a digital media service company, Maktub Digital will possess all of the necessary capabilities to do its own marketing initiatives. On the Maktub's website, there will be a tab that opens Maktub Digital's information where the portfolio of services and relevant information will be located. The website will be modern, professional, and be of high-quality design. There is no better publicity for the services themselves than a beautifully crafted website that proves Maktub Digital's capabilities. Digital marketing itself for this department will be almost nonexistent, however. Due to the presence of the research and sales teams, there is practically no need for Maktub Digital to market its services. The purposes these two teams serve will function as the marketing initiative.

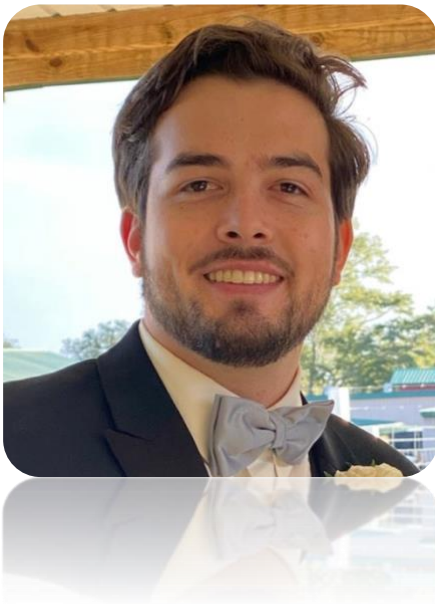
**Game Development Products:** Maktub Gaming will require much more intentionality in marketing. It will share the website with the digital department, but resources will need to be expended to create brand awareness and excitement around the product. However, obtaining access to the primary game distribution networks will be crucial before any sort of marketing initiatives. Once a relationship with these channels has been established, marketing campaigns will be implemented. Guatemala's smaller size allows news to travel fast and fosters an ideal environment to promote an exciting product. Maktub Gaming's marketing will also take advantage of Latin America's momentum in the gaming world. Currently, Latin America is one of the fastest growing gaming regions in the world, and there is a special excitement to play locally made games. One of the most important marketing strategies will be to launch a marketing campaign on the game's release year to prepare for its debut. Partnering with popular gamers and social media influencers will also come in to play to create more awareness and support for *Hur*. Lastly, Maktub Gaming will create a strong social media presence of its own to spark as it grows to become one of the most exciting companies to buy from and work for in the region.

## Ownership & Management Plan:



### Co-Owner:

Frank Sebastian Dalton is a graduate of Patrick Henry College in Economics and Business Analytics. From a young age, he has had a passion for entrepreneurship and the creative arts. He has worked in corporate management for several international corporations and is currently pursuing a Master's in Management at Georgetown University. An avid gaming enthusiast, he is thrilled at the prospect of telling stories of his own in this exciting industry. Frank is responsible for Maktub's operations and marketing.



### Co-Owner:

Juan Jose Porras is a practicing lawyer and junior partner at GT legal. His law expertise includes the areas of international commerce, intellectual property, and he is now the senior director of the LegalTech department of GT legal. He also shares a passion for gaming and its powerful potential for impactful stories. Juan Jose is responsible for Maktub's strategy and sales.



### Business Structure:

Maktub will be structured as a Limited Liability Corporation in the nation of Guatemala. Currently, the business is owned completely by Frank Dalton and Juan Jose Porras who both possess equal parts of the company. We are seeking a third partner who can provide \$100,000 for a portion of the initial startup costs in return for 20% equity. Ideally, we are seeking a partner who shares the same passion for creativity in the visual arts and is excited at the idea of Maktub influencing and impacting the stories of future generations. This partner will also give us industry insight and provide us with an extra voice of expertise in the running of Maktub's unique business model. With our third partner, the company's ownership would be divided in the following way: 40% to the first co-owner, 40% to the other co-owner, and 20% to the remaining partner.



## Operating Plan:

### Organizational Plan:

Maktub's organizational plan is somewhat complex as a result of its two departments. The company will hire 20 full-time developers as the primary engine for the Maktub Digital services end. Additionally, Maktub will hire 4 senior developers who are in charge of supervising a team of 5 developers. Initially, their role will also involve the actions of lead generation and contract closing. Each senior developer will be responsible for trying to hire out all of the junior developers under his supervision as much as possible. On the administrative side, Frank Dalton will be responsible for the operations and marketing. The operations side will be critical to supervise since Maktub Gaming will be looking to maximize the downtime of the junior developers. During the times that there is no work for the junior developers, they will be part of the full-time staff for Maktub Gaming's flagship game, *Hur*. Streamlining the staff sharing process will be indispensable to ensure that both departments work cohesively and efficiently. Juan Jose Porras will take the lead the company strategy and with overseeing the game development portion. Maktub will also hire one accountant for the company finances. In the second year of operations, 3 full-time developers will also be hired and be permanently assigned to Maktub Gaming. This will bring the total company population to 30.

### Equipment:

The company will not require much in the form of equipment at its start. Almost all of the company's work, both in digital services and game development, can be done on simple computer equipment. Maktub has foreseen the need to make a small initial investment in equipment to improve the gaming processing and creation capabilities. However, this is relatively small in comparison to what most companies need to invest in at the start of their life cycle. The gaming tools needed for production are free online, and one or two charge a small royalty once game sales reach a few million copies. Thus, Maktub finds itself with the advantage of starting off with a very lean and flexible beginning.





## Financial Plan:

The financial plans for this company can be somewhat complex as a result of its hybrid nature. A sample income statement for how Maktub Digital leads to cash flow for Maktub Gaming has been included in the beginning of this section. After this example, the two departments have been combined into a single series of financial statements.

<b>Income Statement*</b>	YR 1	%	YR 2	%
Revenue	576		720	
COGS	288		360	
Gross Profit	288	50%	360	50%
Operating Expenses				
S,G,&A	175		193	
R&D	0		0	
Depreciation	5		5	
Operating Profit	108	19%	162.5	23%
Interest Expense	0		0	
Gain(Loss) Sale Assets	0		0	
Other	0		0	
Income Before Tax	108	19%	163	23%
Income Taxes Paid**	27		41	
Net Earnings	81	14%	122	17%

\*\$ Amounts in Thousands

\*\*Guatemala tax rate = 25%

## Staff Utilization Rate:

The revenue in this sample income statement is calculated on an 80% staff utilization rate. This means that 80% of the available staff working hours are expected to be contracted at once. Since the staff is already being paid for a full-time job, the other 20% of available hours can be directed to game development. Thus, Maktub saves money through this unique financial mechanism. Aside from the saved labor costs, the robust margins from Maktub Digital ensure that there is enough cash to reinvest a portion into the business and also direct funds toward Maktub Gaming. Most importantly, the company is generating revenue during the years that it is not making game sales. This reduces the risk of failure or bankruptcy if a game does not achieve commercial success.

In the company's first year, Maktub Digital will be the sole focus to get the cash-generation engine running. Once this flywheel is in motion, the company focus and resources will shift toward *Hur's* game development. Aside from the labor hours already available, year 2 will bring the addition of full-time staff at Maktub Gaming.

### R&D Expenditures:

Another important point to note in the upcoming financial statements is the R&D expenditures from year 2 to year 5. This figure represents the resources that are fully committed to Maktub Gaming. In other words, this figure accounts for the salary of the full-time staff and the other varying production costs. It is encouraging to see that even with these costs in place, there is still a large amount of untapped potential in the net income and cash flow. Harnessing these financial resources properly could greatly reduce the timeframe in which Maktub releases its first game and provide even more funds to ensure that the game is of the highest quality.

### Game Sales:

The revenue number for gaming sales in year 5 is based on the sale of 15,000 units at the \$45 price. The total estimated cost for the game production is \$500k over the four years. The company only needs to sell a little over 11,000 copies to break even on the project, but 15,000 is a realistic expectation with the vision Maktub is pursuing. The marketing expenses in years 4 and 5 also increase significantly to give *Hur* the best chance for commercial success.

### Estimated Startup Cost:

Maktub will be funded completely from equity to prevent debt and keep the interest expenses at 0. Borrowing any money would defeat the entire purpose of the hybrid products and services model. The total expenses cost for the first year comes out to \$456k. Taking into account the possibility of some initial challenges and leaving some margin for error, a conservative estimate of the total cost is \$500k. This sum of \$500k is more than enough to cover the initial administrative costs and fund the entire business expenses for the first year. As mentioned earlier, the investment ask is \$100k for a 20% stake in the company.

## Financial Statements:

Projected Cash Flow Statement (6yr)				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
(Figures in 000s \$)									
<b>Cash Flow from Operating Activities</b>									
	Net Income			\$ (456)	\$ 161	\$ 128	\$ 176	\$ 198	\$ 678
	Add: Depreciation Expense			0.00	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
	Change in: Accounts Receivable			0.00	\$ (24)	\$ (30)	\$ (36)	\$ (42)	\$ (104)
	Change in: Inventory			0.00	0.00	0.00	0.00	0.00	0.00
	Change in: Accounts Payable			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Cash provided in operating activities</b>			<b>\$ (456)</b>	<b>\$ 166</b>	<b>\$ 103</b>	<b>\$ 145</b>	<b>\$ 161</b>	<b>\$ 579</b>
<b>Cash Flow from Investing Activities</b>									
	Capital Expenditures			0.00	0.00	\$ 75	\$ 75	\$ 75	\$ 75
	Proceeds from Sale of Property (book value)			0.00	0.00	0.00	0.00	0.00	0.00
	Short-term Investments			0.00	0.00	0.00	0.00	0.00	0.00
	Long-term Investments			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Cash provided by investing activities</b>			<b>0.00</b>	<b>0.00</b>	<b>\$ 75</b>	<b>\$ 75</b>	<b>\$ 75</b>	<b>\$ 75</b>
<b>Cash Flow from Financing activities</b>									
	Proceeds from Investors/Owners			\$ 500	0.00	0.00	0.00	0.00	0.00
	Dividends Paid			0.00	0.00	0.00	0.00	0.00	0.00
	Sale (or purchase of Treasury Stock)			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Cash provided by financing activities</b>			<b>\$ 500</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Net Increase in Cash			\$ 44	\$ 166	\$ 178	\$ 220	\$ 236	\$ 654
	Cash at the Beginning of the Year			0.00	\$ 44	\$ 210	\$ 388	\$ 609	\$ 845
	<b>Cash at the End of the Year</b>			<b>\$ 44</b>	<b>\$ 210</b>	<b>\$ 388</b>	<b>\$ 609</b>	<b>\$ 845</b>	<b>\$ 1,499</b>

Projected Income Statement (6yr)		Year 0		Year 1		Year 2		Year 3		Year 4		Year 5	
(Figures in 000s \$)		%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Gross Trade Sales/ Revenue			0.00		\$ 676		\$ 845		\$ 1,014		\$ 1,183		\$ 2,027
Digital Services			0.00		\$ 676		\$ 845		\$ 1,014		\$ 1,183		\$ 1,352
Game Sales			0.00		0.00		0.00		0.00		0.00		\$ 675
Total Net Sales			0.00		\$ 676		\$ 845		\$ 1,014		\$ 1,183		\$ 2,027
Cost of Goods Sold			348		348		420		492		564		636
Labor			288		288		360		432		504		576
Variable Overhead			12		12		12		12		12		12
Fixed Overhead			48		48		48		48		48		48
Materials			0.00		0.00		0.00		0.00		0.00		0.00
Gross Margin/Profit			\$ (348)	49%	\$ 328	50%	\$ 425	51%	\$ 522	52%	\$ 619	69%	\$ 1,391
Operating Expense													
Research & Product Development			0.00		0.00		75		75		75		75
Administrative			108		108		132		156		180		204
Marketing & Advertising			0.00		0.00		42		51		95		203
Depreciation & Amortization			0.00		5		5		5		5		5
Total Operating Expenses			\$ 108		\$ 113		\$ 254		\$ 287		\$ 355		\$ 487
EBIT			\$ (456)	32%	\$ 215	20%	\$ 171	23%	\$ 235	22%	\$ 264	45%	\$ 904
Interest & Taxes													
Interest Expense			0.00		0.00		0.00		0.00		0.00		0.00
Government Taxes			0.00		54		43		59		66		226
Net Income			\$ (456)	24%	\$ 161	15%	\$ 128	17%	\$ 176	17%	\$ 198	33%	\$ 678

Projected Balance Sheet (6yr)				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
(Figures in 000's \$)									
<b>Assets</b>									
<b>Current Assets</b>									
	Cash and Cash Equivalents			\$ 44	\$ 210	\$ 388	\$ 609	\$ 845	\$ 1,499
	Accounts Receivables			0.00	\$ 24	\$ 30	\$ 36	\$ 42	\$ 104
	<b>Total Current Assets</b>			\$ 44	\$ 234	\$ 418	\$ 645	\$ 887	\$ 1,603
<b>Long-Term Assets</b>									
	Less Accumulated Depreciation			\$ 25	\$ 20	\$ 15	\$ 10	\$ 5	0.00
	Intangible Assets			0.00	0.00	\$ 75	\$ 75	\$ 75	\$ 75
	Long-term Investments			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total Long-Term Assets</b>			\$ 25	\$ 20	\$ 90	\$ 85	\$ 80	\$ 75
<b>Total Assets</b>				\$ 69	\$ 254	\$ 508	\$ 730	\$ 967	\$ 1,678
<b>Liabilities</b>									
<b>Current Liabilities</b>									
	Accounts Payable			0.00	0.00	0.00	0.00	0.00	0.00
	Notes Payable/Short-term debt			0.00	0.00	0.00	0.00	0.00	0.00
	Other Current Liabilities			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total Current Liabilities</b>			0.00	0.00	0.00	0.00	0.00	0.00
	Long-term Liabilities			0.00	0.00	0.00	0.00	0.00	0.00
	Long-term Debt			0.00	0.00	0.00	0.00	0.00	0.00
	Capital Lease Obligations			0.00	0.00	0.00	0.00	0.00	0.00
	Other Liabilities			0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total Long-term Liabilities</b>			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>				0.00	0.00	0.00	0.00	0.00	0.00
<b>Shareholder's Equity</b>									
	Equity			\$ 525	\$ 93	\$ 380	\$ 554	\$ 769	\$ 1,000
	Retained Earnings			\$ (456)	\$ 161	\$ 128	\$ 176	\$ 198	\$ 678
<b>Total Shareholder's Equity</b>				\$ 69	\$ 254	\$ 508	\$ 730	\$ 967	\$ 1,678
<b>Total Liabilities &amp; Shareholder's Equity</b>				\$ 69	\$ 254	\$ 508	\$ 730	\$ 967	\$ 1,678

## Appendix:

### Market & Industry Overview:

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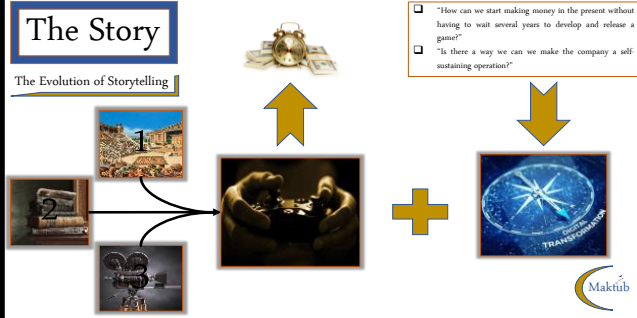
## Pitch Deck:



Frank Dalton  
Financial Analysis  
March 6, 2023

### The Story

The Evolution of Storytelling



- How can we start making money in the present without having to wait several years to develop and release a game?
- Is there a way we can make the company a self-sustaining operation?

### The Overview

**Geography:**



**Structure:**



**Market:**



**Services & Products:**

- Digital development/transformation services with a specialized focus in User Experience (UX) and User Interface (UI) design
- Game development products with a cooperative gaming focus

**Customer:**

- Services aimed at companies in traditional industries in need of digital transformation
- Products aimed at gamers and consumers with an interest in cooperative gaming

### The Industry

**Supplier Power:**

- High number of suppliers
- Varying supplier size
- Moderate differentiation

**Low bargaining power**

**Threat of New Entry:**

- Small entry costs & barriers
- Growth attracts new competitors

**High threat**

**Competitive Rivalry:**

- Large number of companies
- Low buyer switching costs
- Exponential industry growth

**High level of competition**

**Buyer Power:**

- High number of buyers
- Most buyers are small
- Growing number of buyers

**Low bargaining power**

**Threat of Substitution:**

- Fast rate of innovation
- No existing substitutes

**Medium threat**

### The Strategy

**Business Unit Strategy: Product Differentiation**

- Self-funding enterprise
- Hybrid services and products model
- UX and UI service expertise
- Unique gaming product

**Short-term focus:**

- Hire cross-functional teams to offer integrated digital solutions
- Target clients in traditional industries who have little to no digital experience
- Specialized services in UX and UI design
- Goal is generating excess cash flow to fund game development initiative

**Long-term project focus:**

- Use cash from digital development services for R&D for game development products
- Harness talent and experience from digital development
- Target the story-based couch co-op games niche
- Build brand awareness in Latin America

**Excess Cash** → **Talent & Competencies**

### The Money

**50% of Net Earnings to Game Development**

100k - 50k = 50k

Remaining 20% staff utilization rate = 130k

230k

**Revenue calculated on an 80% staff utilization rate**

- Small yearly increases in S.G.&A (10%)
- No current need for R&D due to available technology
- Low depreciation value due to digital model
- All funding is to be equity to keep interest expense at 0
- 50% of net earnings reinvested back into business
- Primarily into hiring more staff to assign to projects

	2021	%	2022	%
Revenue	250		275	
COGS	100		110	
Gross Profit	150		165	
Operating Expenses				
SG&A	25	10%	27.5	10%
Depreciation	0	0%	0	0%
Operating Profit	125		137.5	
Interest Expense	0	0%	0	0%
Goodwill Imp. Asset	0	0%	0	0%
Income Before Tax	125		137.5	
Tax Expense	31.25	25%	34.375	25%
Net Income	93.75		103.125	

### The Pitch

Total Startup Cost Year 1: Estimated = \$500k

Investment Ask: \$250k for 50% stake

Thank you!

Questions?

