

Yield Guild Games: The Ally of Gamers

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NFT gaming has recently taken the blockchain world by storm. A notable mention is Axie Infinity which has shed light on the play-to-earn trend and gained massive popularity in the community, reaching an all-time high in revenue of \$364M in August 2021. This game inspired the creation of Yield Guild Games (YGG), a play-to-earn (P2E) gaming guild and investment DAO. Although NFT gaming is still a nascent market and inherently risky, it has the potential to reach a larger scale in the following decades, and YGG attempting to become a dominant player in this untapped market.

Yield Guild Games: A Unique Business Model

When the [GameFi](#) - an intersection of blockchain games and decentralized finance - market was budding, YGG established itself as a decentralized autonomous organization (DAO) focusing on in-game NFTs and decentralized games investment, aiming to accrue assets in the emerging virtual world economy. The core business of YGG can be described as a combination of Berkshire Hathaway and Uber in the sense that YGG is acquiring a variety of NFT assets from different play-to-earn games and renting those NFTs to players who need initial capital (in-game NFTs) to earn money.

As a result of players initially needing Axie's to farm SLP in Axie Infinity, some Axie holders started renting or providing "scholarships" to players without starting capital. These scholarship recipients pay a specific amount of interest to the NFT loaner. YGG has taken the scholarship model to a greater scale by providing NFTs to new players (scholars) to start playing immediately without paying any upfront costs. Players receive 70% of the earnings, community managers enjoy a 20% cut, and YGG retains the remaining percentage.

How to Join a YGG Guild

To join YGG, participants need to mint their YGG Guild Badge to officially become guild members and start their gaming adventure. This badge will serve as their visa to access the YGG website and involve in numerous activities including registering scholarships, unlocking exclusive features, and joining e-sport events.

Up until now, YGG has generated approximately \$13 million in total revenue, and its dominant source comes from Axie Infinity, whose profit has been only second to Ethereum in the past six months. In September alone, the scholars generated 20 million SLP (a reward token in Axie Infinity) worth \$1.24 million, and YGG enjoyed a fair share of \$124k. As Axie Infinity has recently introduced its own [DEX Katana](#) and continues seeing a surge in total active users, it will appreciate SLP's value; hence increasing the value of YGG's portfolio.

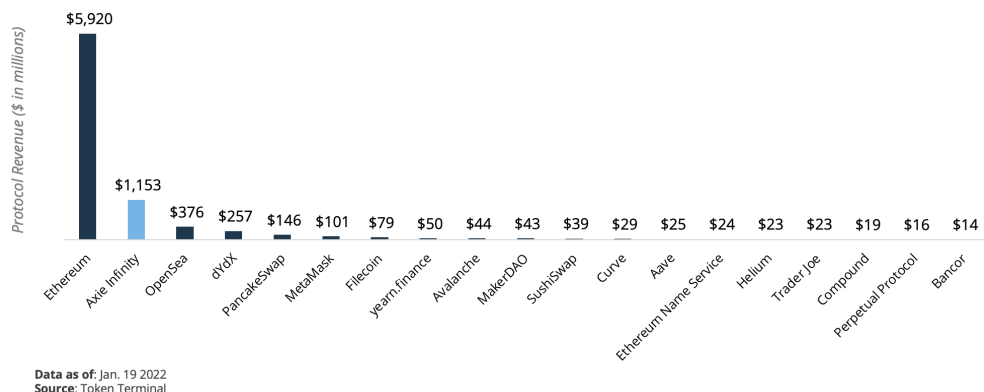
NFT Balance Sheet as a Business Model

YGG has quickly expanded its revenue stream via its treasury which invests in a diversified portfolio of yield-generating assets. As of September 2021, YGG is holding roughly \$850 million in treasury comprised of in-game NFT assets, liquid tokens, and locked DeFi tokens.



Axie Infinity Generated The Second Most Revenue in H2'21

Protocol revenue over the past 180 days



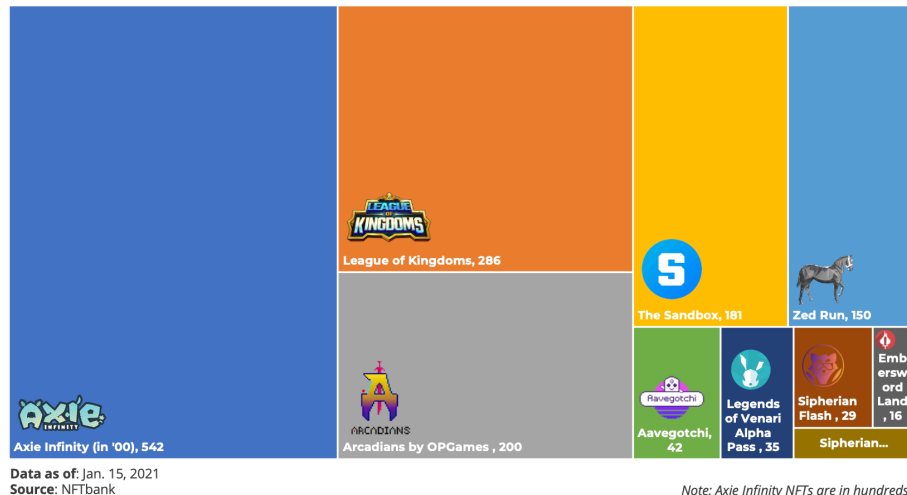
To onboard the masses to the metaverse via GameFi, YGG has been actively forming partnerships with game makers and adding a variety of NFT assets to their portfolio so that the community can explore diverse genres and ecosystems. Currently, YGG has nearly 63,000 community members and owns approximately \$18 million worth of 38,000 NFTs, including rare items across 12 games (and the number is still counting). Some of the games (besides Axie Infinity) that show strong potential include:

- *Aavegotchi*: a pixelated NFT game based on Tamagotchi, allowing players to farm tokens, lend lands and engage in mini-games and governance.
- *The Sandbox*: a blockchain-based version of Minecraft and Roblox, but players can create their own items and trade them as NFTs. The project has recently [raised](#) \$93 million led by Softbank.
- *Star Atlas*: a space-themed blockbuster game that is believed to surprise the global gaming community in the coming months.

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Axies Account for 92% of NFTs in YGG's Portfolio

In-game NFTs across multiple games acquired by YGG



Note: Axie Infinity NFTs are in hundreds (there are 54,200 Axie NFTs in the YGG portfolio)

YGG acts as an index of potential blockchain games. Games must meet three criteria for YGG to participate as an investor – possess acquirable virtual land, native tokens, and reward instruments in the economy. By investing early in new NFT games, YGG can obtain exclusive items to provide YGG scholars a competitive edge over other non-guild players, boosting higher engagement and thus increasing the possibility of the success of the game.

Building the Guild of Guilds

As a DAO, YGG has its governance token – YGG – that can be used to vote on business-related decisions and stake rewards. The community received a significant portion of the token supply with up to 45% of the token supply dedicated to community members. To further optimize the DAO and align it with the community, YGG introduces subDAOs dedicated to every game it owns. Each subDAO possesses its own wallets and governance tokens, allowing guild members to vote on the customization of development strategy, reward mechanism, and even culture representing each region around the globe (e.g., Vietnam and the US will have separate guilds and rules for Axie Infinity). YGG SEA is a great example of the first subDAO that primarily focuses on the underserved market in South East Asia such as Indonesia, Thailand, and Vietnam to help grow the gaming communities. These subdivisions will bring greater flexibility and scalability when new games are introduced along with a growing number of members, providing more efficient management and a more localized sense of community within a broader umbrella. In short, YGG DAO is constituted of many subDAOs which contribute to the collective hub in different ways.

To use an analogy, a subDAO is a ship, community managers will be the captains who drive the growth of their sub guilds through a series of tactics including recruitment, education, and leadership. Through coaching sessions, a subDAO enables gamers to improve their skills to earn more rewards. And, the better guild members perform, the more revenue YGG will earn.

The success of subDAOs is pivotal to the growth of YGG as a whole, as the main DAO owns proportional tokens in each subDAO and therefore, enjoys proportional proceeds from the subsidiaries. For example, YGG can benefit from the upside of the NFT assets and yield generated from League of Kingdom by holding its subDAO token YGGLOK.

The Next Phase for Gamers

Unlike traditional games where in-game items are only valuable within one specific game and controlled by game operators, items in blockchain games are 100% owned by players and can be converted to real money (stablecoins or fiat). NFTs and the primitives of blockchains enable new games to decouple central marketplaces and grant ownership of assets to gamers. Players now can decide how to use their virtual assets on their own terms. Besides, some NFT games like Axie, introduce a breeding function that enables gamers to breed new creatures with unique characteristics, increasing the value of their NFT collections. These innovations coupled with the “play while earning” mechanism has the potential to drive greater player adoption and retention. It also encourages more aspiring gamers to invest their time and effort in NFT gaming, and pursue it as a career path to earn daily earnings. YGG’s scholarship program is devoted to this idea and aims to enrich millions of people worldwide through this novel economic concept.

Additionally, the role of YGG’s community managers not only trains players to be the best they can be to reach desired earnings but also teaches them one of the most critical skills in this decade, which is cryptocurrency literacy. By learning how to convert gaming tokens to cash via DEX, players get their first exposure to the GameFi world and are ready to learn more complex concepts in the blockchain ecosystem such as staking and farming. In this sense, YGG can act as an onboarding mechanism for newcomers into crypto gaming, and potentially attract more talent to join the guild. It is safe to say gamers can see YGG as a supportive leader to guide them in this exciting journey.

The Risks of The Guild

Currently, YGG’s income is heavily dependent on Axie Infinity, therefore, they will need to rely on the continuous success and growth of the Axie Infinity ecosystem to remain profitable. The DAO has been investing in numerous Web3 games to diversify its portfolio and reduce the risk of value depreciation of an individual holding. Another risk YGG faces is that most P2E-based games are characterized by earning, which will not be sustainable in the long term. Players likely prioritize earning over playing and will abandon the fun if it no longer provides expected incentives. That being said, YGG needs to coordinate with crypto game developers to constantly redesign an economy that prioritizes culture and community building. Also, incentive structures in GameFi need to be adjusted to align with the time commitment of players and game loyalty rather than pure financial incentives and continuous new user acquisition.

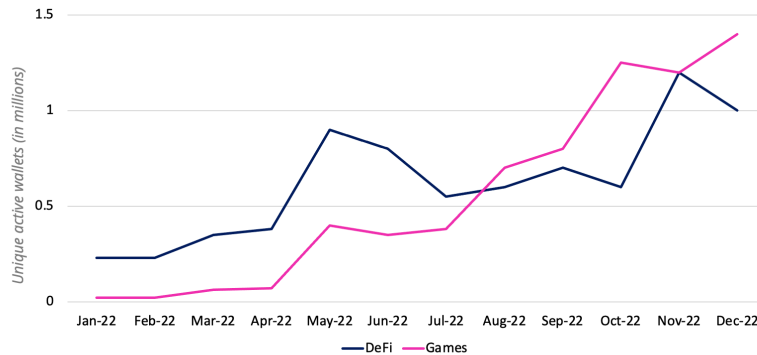
Zoom Out: A Brief Gaming Industry Outlook

Gaming is the most approachable medium to educate and introduce newcomers into the world of blockchain and cryptocurrency or emerging technologies in general, as people tend to acquire information faster through game-based learning. For example, people are introduced to and learn AR/VR via PokemonGo and Web3 via Axie Infinity. According to [DappRadar](#)’s report, more than 50% of the entire blockchain industry’s unique active wallets are connected to GameFi in the second half of 2021, surpassing users in DeFi and NFTs for a total of 1.4 million. This implies a higher influx of people entering the blockchain world and interacting with the ecosystem than ever before.

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UAW Connected to Games Accounted for 51% of Total Activities by 2021

Unique Active Wallet – 7 Days Trailing Average



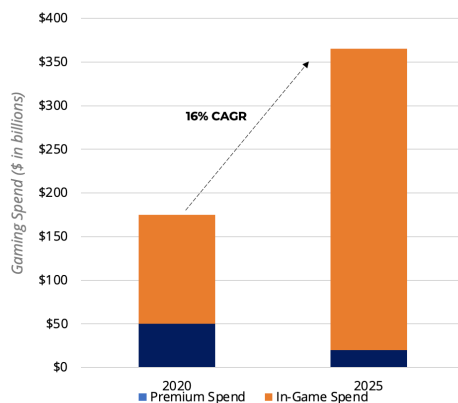
Data as of: Dec. 17, 2021
Source: DappRadar

Alongside the growth of active users, the global gaming market is **projected** to be worth roughly \$365 billion by 2025, representing an increase of 16% CAGR. In parallel, the percentage of revenue generated from virtual goods purchased in games also saw an upward trend in the past decade, potentially **reaching** 95% of total gaming revenue in the next five years.

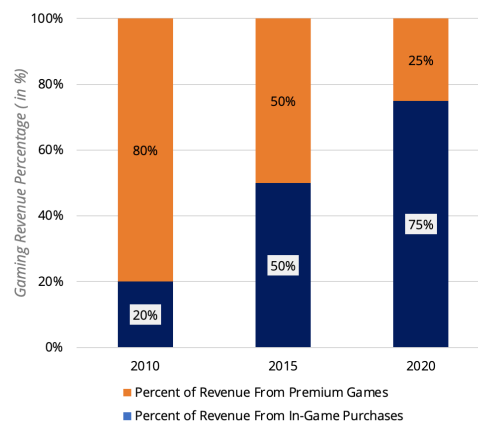
With this positive outlook, YGG can capitalize on this market and become one of the earliest strategic investors in the GameFi industry. Although new technological trends always come with risks, outsized rewards are potentially waiting for those who dare to accept uncertainty in the early stage of GameFi.

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Global Gaming Market Outlook



Source: Ark Investment



Final Thoughts

As technology advances, more and more individuals engage in the online world and increasingly invest in digital identities. With Facebook recently changing its name to Meta, the world has turned its eyes towards the potential future of the metaverse. GameFi has the potential to act as a trigger for the explosive growth of blockchains and Web3 adoption more broadly. The market has started responding to this phenomenon proven by huge investments in crypto gaming from tech giants like Microsoft and Ubisoft. As an early adopter, YGG is es-

tablishing itself at the forefront of the NFT gaming universe by funding promising projects and building an army of gamers around the world. With that in place, the future of YGG is worth observing.