

Siggi Koegl

# Funding Models for AAA Game Productions

**GAMES MARKT DEUTSCHLAND 2007**  
**BLM – Bayerische Landeszentrale für Neue Medien –**  
**MÜNCHEN**



- 3rd. Party Executive Producer for the global Games Industry -

## ... ABOUT ATTACKION

ATTACKION was founded 2001 in Munich. The company is acting as the first independent Executive Producer in the global games industry and builds a bridge between videogame companies, license owners and media financiers.

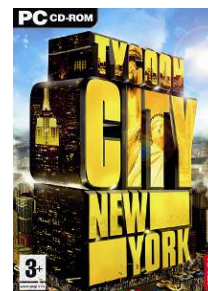
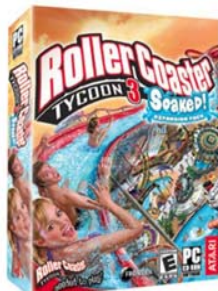
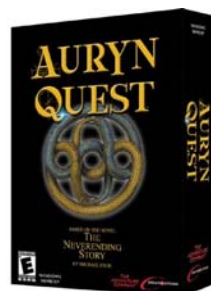
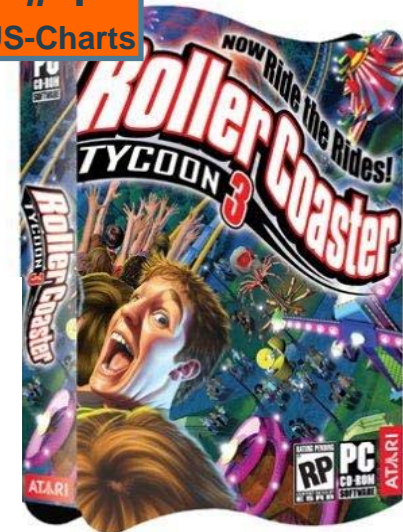
ATTACKION is the first company in Germany having successfully adopted the tax-sheltering film fund model for game productions. ATTACKION has entered into cooperation with Munich-based fundraiser BVT (www.bvt.de) and has set up in 2006 its fourth public game fund which is mainly distributed by German retail banks.

Through the company's expertise, network and partners, ATTACKION provides the full range of services for founding und structuring public funds, private placements, M&A investments and other opportunities in the global game and entertainment industry.

# 1  
US-Charts



# 1  
US-Charts



## ... THE GAME MARKET ...

By 2010, the worldwide videogame market should grow to \$46.5 billion, at an average 11.4% compound annual rate, PriceWaterhouse Coopers predicts.

With an annual growth rate of 11.4% by 2010, the videogame sector - without hardware - is the fastest growing segment in the global media industry vs. 5.3% compound annual rate for the filmed entertainment business and 6.6% for the television networks by 2011, according to PwC.

The game market includes categories like console, hand-held, online, wireless and PC games. Without hardware.

The production costs of typical AAA titles for consoles/PC range between \$5 and \$15 million.

The average production time of a AAA title is 18 months.

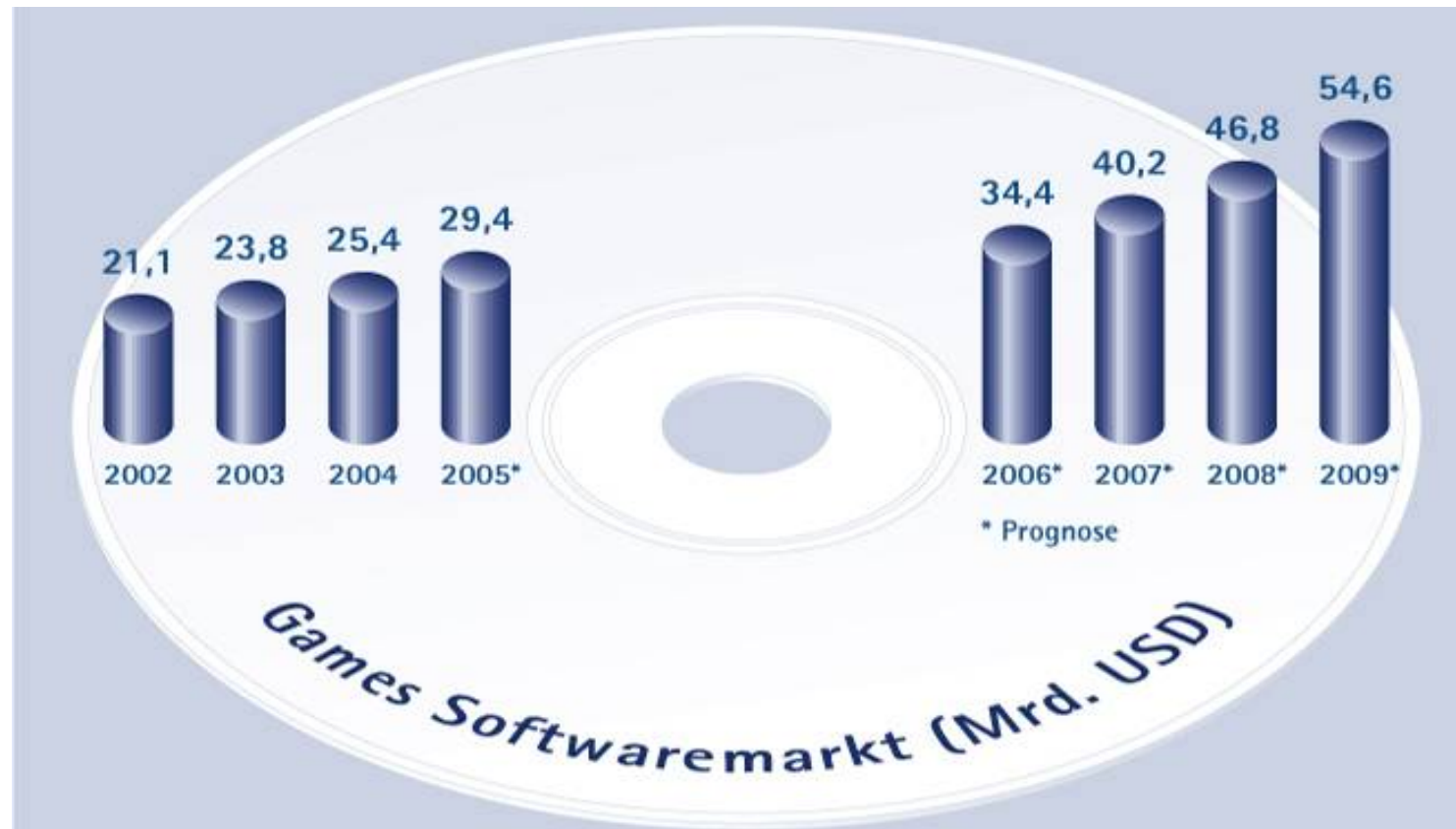
The main distribution markets are USA, Europe and Asia.

A typical AAA game title is typically published by one single publisher like EA, Sony, Atari etc. on a worldwide basis.

The worldwide online game market is forecasted to grow from \$3.4 bn in 2005 to over \$13 bn in 2011.

# INTERNATIONAL MARKET GROWTH

PriceWaterhouse Coopers forecasts an average market growth of 11.4% until 2010.



Source: PriceWaterhouseCoopers: Entertainment and Media Outlook: 2005-2009, 2005

...

## MARKET SHARES IN 2004

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Europe (EU), North America (USA, Canada, Mexico) and Asia (Japan, South Korea).



Source: PricewaterhouseCoopers: Entertainment and Media Outlook: 2005-2009, 2005

## ... THE HARDWARE

Beside the usual high end PCs there is a number of special gaming devices on the market.





# ... THE GAMES HISTORY ...

Computer and video games had an extraordinary progression during the last 20 years!



First Generation  
Game:  
**Pac-Man**



Merchandising  
Game:  
**Moorhuhn**



PC Game:  
**FIFA 2006**



PC Game:  
**RollerCoaster  
Tycoon 3**



PC / Console  
Game:  
**Tomb Raider 5**



PC / Console  
Game:  
**Sims**



Media Convergence between Games & Film  
Example: **The Matrix**

Game

Film

**MATRIX**

## ... BEST-SELLING GAMES ...

Some examples of very successful computer and video games.

### **Final Fantasy I – XII**

Genre: Fantasy Role Playing  
Release Date: 1987  
Sold Units: > 60 ml  
Publisher: Square Enix (J)



### **The SIMS 1 - 2**

Genre: Family Simulation  
Release Date : 2000  
Sold Units : > 45 ml  
Publisher: Electronic Arts (USA)



### **Gran Turismo 1 - 4**

Genre: Racing  
Release Date : 1998  
Sold Units : > 38 ml  
Publisher: Sony (J)



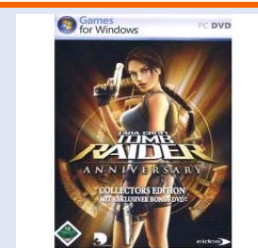


## ... BEST-SELLING GAMES ...

Some examples of very successful computer and video games.

### **Tomb Raider 1-5**

Genre: Action Adventure  
Release Date: 1996  
Sold Units: > 30 ml  
Publisher: Eidos (GB)



### **Halo 1 - 2**

Genre: Action  
Release Date : 2001  
Sold Units : > 14,5 ml  
Publisher: Microsoft (USA)



### **RollerCoaster Tycoon (RCT) 1 - 3**

Genre: Simulation  
Release Date : 1999  
Sold Units : > 9 ml  
Publisher: Atari (F/USA)



## ... THE KEY PLAYERS ...

The computer and video games market is driven by major key players.



# Global Publisher

Hollywood and Media Trusts are on the way!

- ACTIVISION (US)
- ATARI (US/F)
- CAPCOM (J)
- CODEMASTERS (GB)
- **DISNEY (US)**
- EA-ELECTRONIC ARTS (US)
- EIDOS/SCI (GB)
- KONAMI (US/J)
- **LUCAS ARTS (US)**
- MICROSOFT (US)
- **MIDWAY (US, VIACOM)**
- NAMCO (J)
- NINTENDO (J)
- Bandai (J)
- SEGA (US/J)
- **SONY (US/GB/J)**
- SQUARE / ENIX (J)
- TAKE 2 (UA)
- THQ (UA)
- UBI SOFT (F)
- **VIVENDI UNIVERSAL (US/F)**
- **WARNER (US)**

# Industry Problems

- Consolidation in the Publisher Market
- **AAA vs. Budget** (increasing dev. costs vs. inflation – 10% A-title / 85% \$)
- Top Publishers count on franchises/sequels
- **Lack of funding for fresh original content**
- High market barriers for new ideas/teams
- **Industry in danger of becoming stale**
- Independent production financing is not available

# Example: Increasing Development Costs

<b>For AAA-Titles:</b>	10 yrs ago	Yesterday	Tomorrow
Concept	€5 k	€25 k	€100 k
Prototype	€20 k	€500 k	€2 ml
Production	€1 ml	€5-10 ml	€10-30 ml
Back-end Royalties	Common	Rarer	€0

# Typical Development Costs

Mobile Phone Game	€ 150.000
Mobile Handheld Game	€ 500.000
PC Game	€ 5.000.000
PS2/X-Box Game	€ 7.000,000
MMOG (excl. Ongoing Costs)	€ 10,000,000
Next Generation (PS3/360)	€ 12,000,000

# Funding Models

- 1. Traditional Funding Model** (Seed Funding)
- 2. Traditional Funding Model** (Publisher Funding)
- 3. New Funding Model** (3<sup>rd</sup> Party Production Funding)



# 1. Traditional Funding Model (Seed Funding)

FFF - The best advice for seed financing!

- Family
- Friends
- Fools

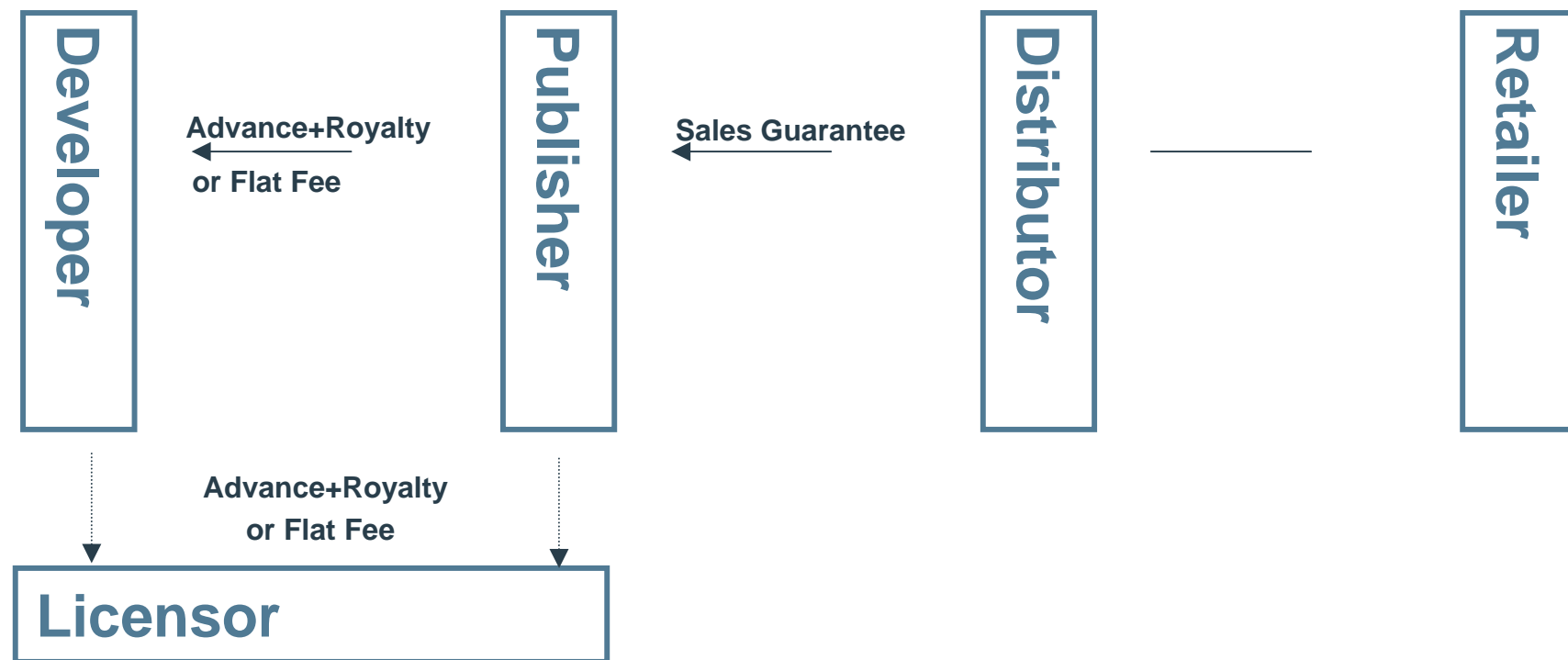
Any other financing model is too expensive for beginners!

## 2. Traditional Funding Model (Publisher Funding)

- Publishers have cash, developers don't
- Publisher funds prototypes
- Publisher pays royalty advances to developer
- Amount of advance is based on cost excluding some overheads and profit
- Slippage/Cost over-runs
- Developer gets back-end royalties – **MAYBE!**

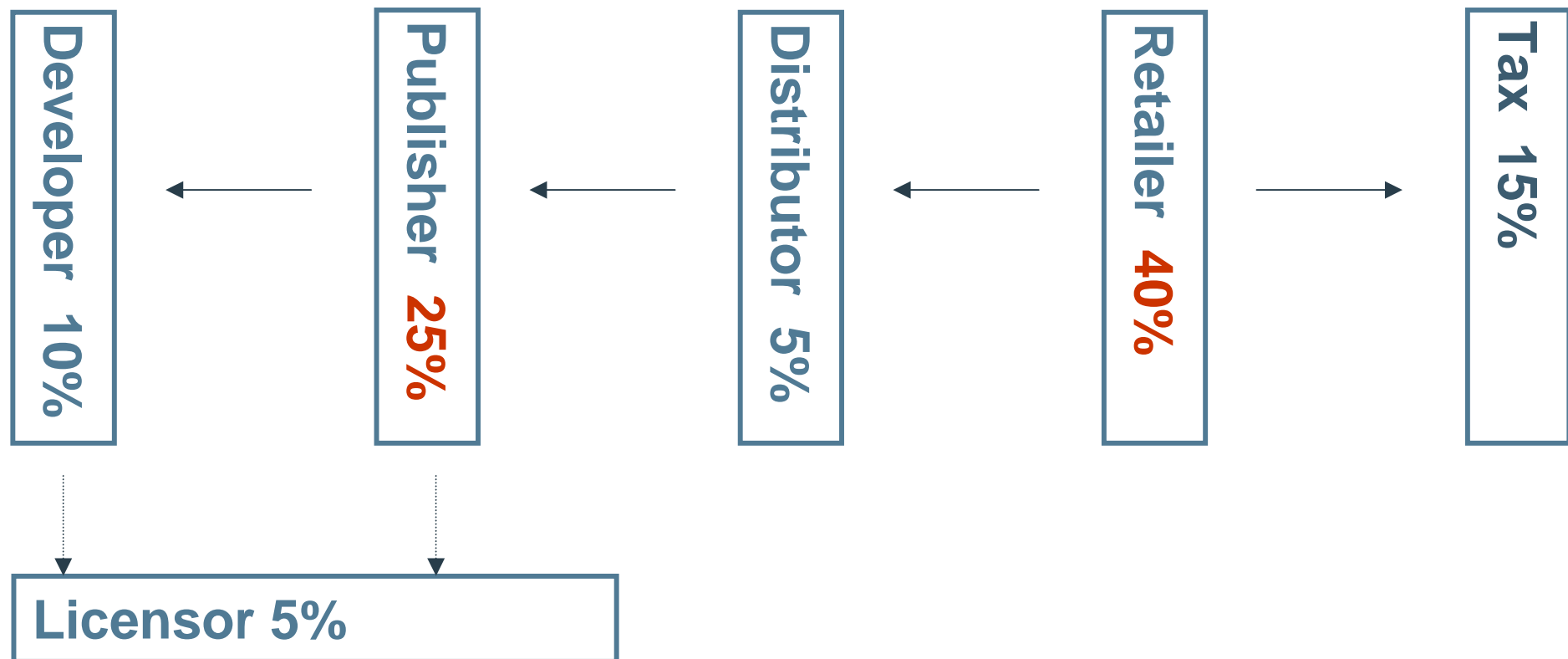
## 2. Traditional Funding Model (Publisher Funding)

Where we are:



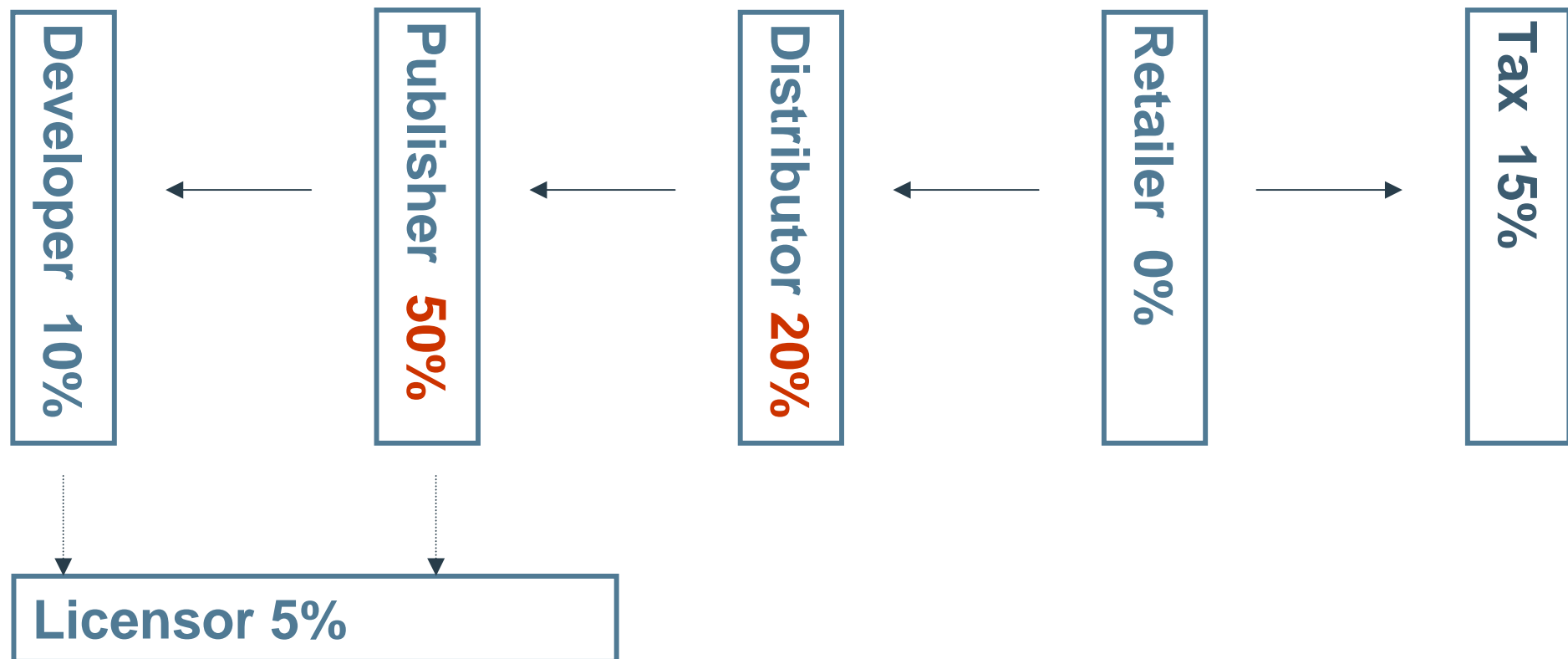
## 2. Traditional Funding Model (Publisher Funding)

Value-Added Chain of Offline Games (where the revenue goes!)



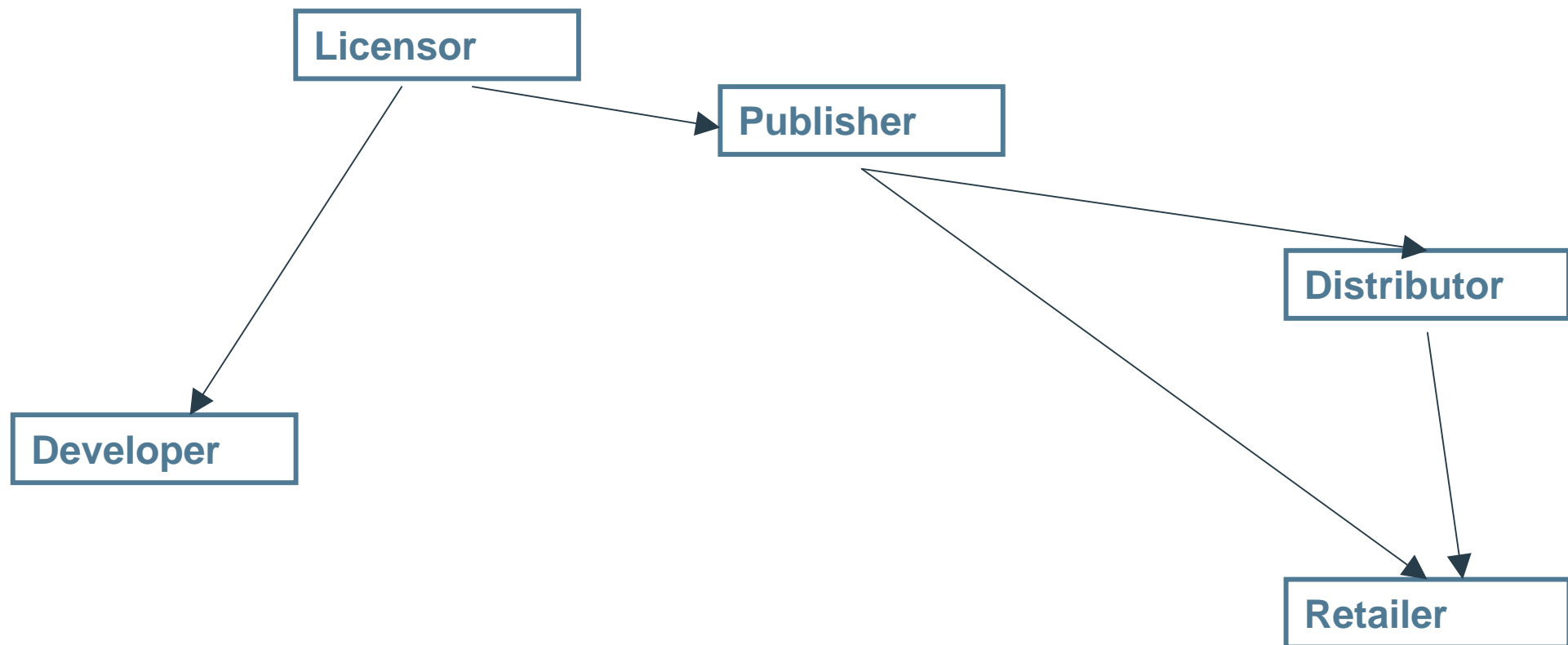
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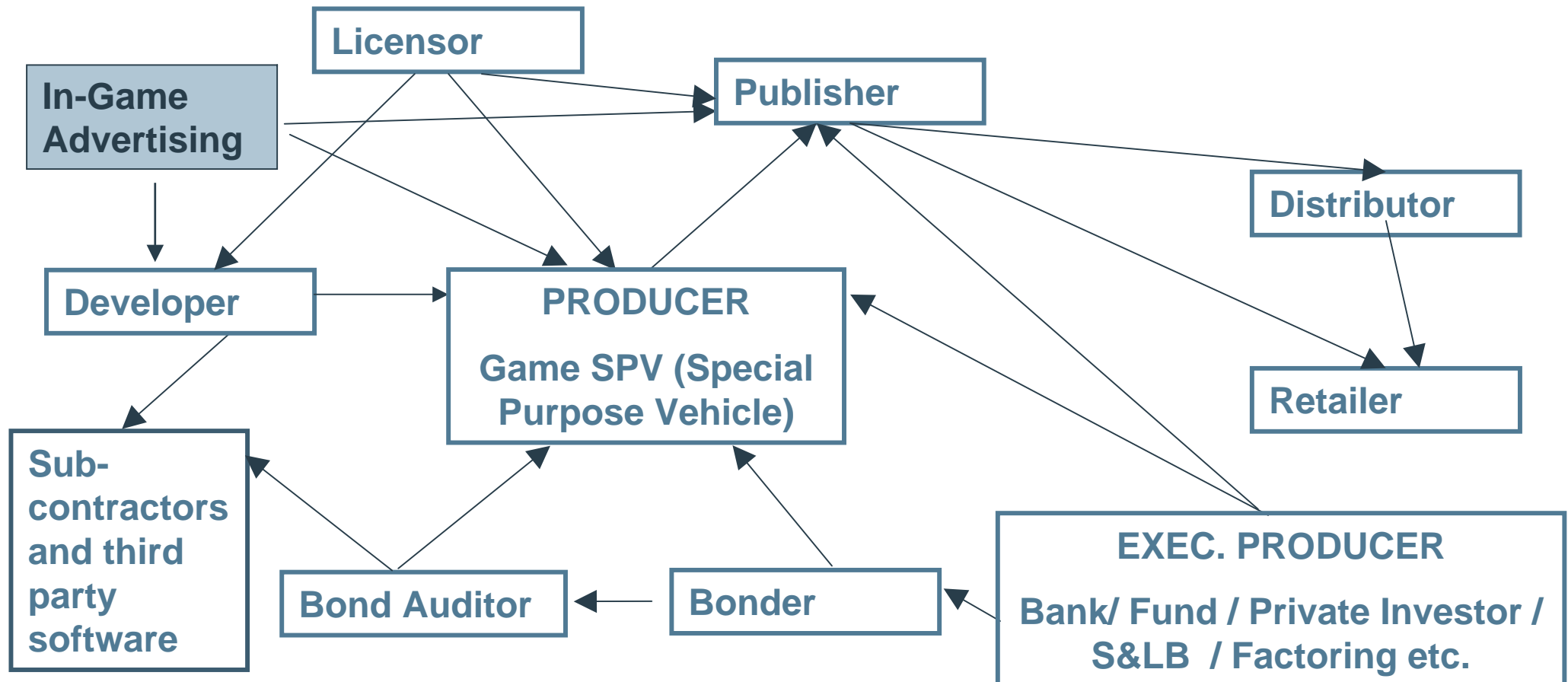
## 2. Traditional Funding Model (Publisher Funding)

Easy Old World:



# 3. New Funding Model (3<sup>rd</sup> Party Production Funding)

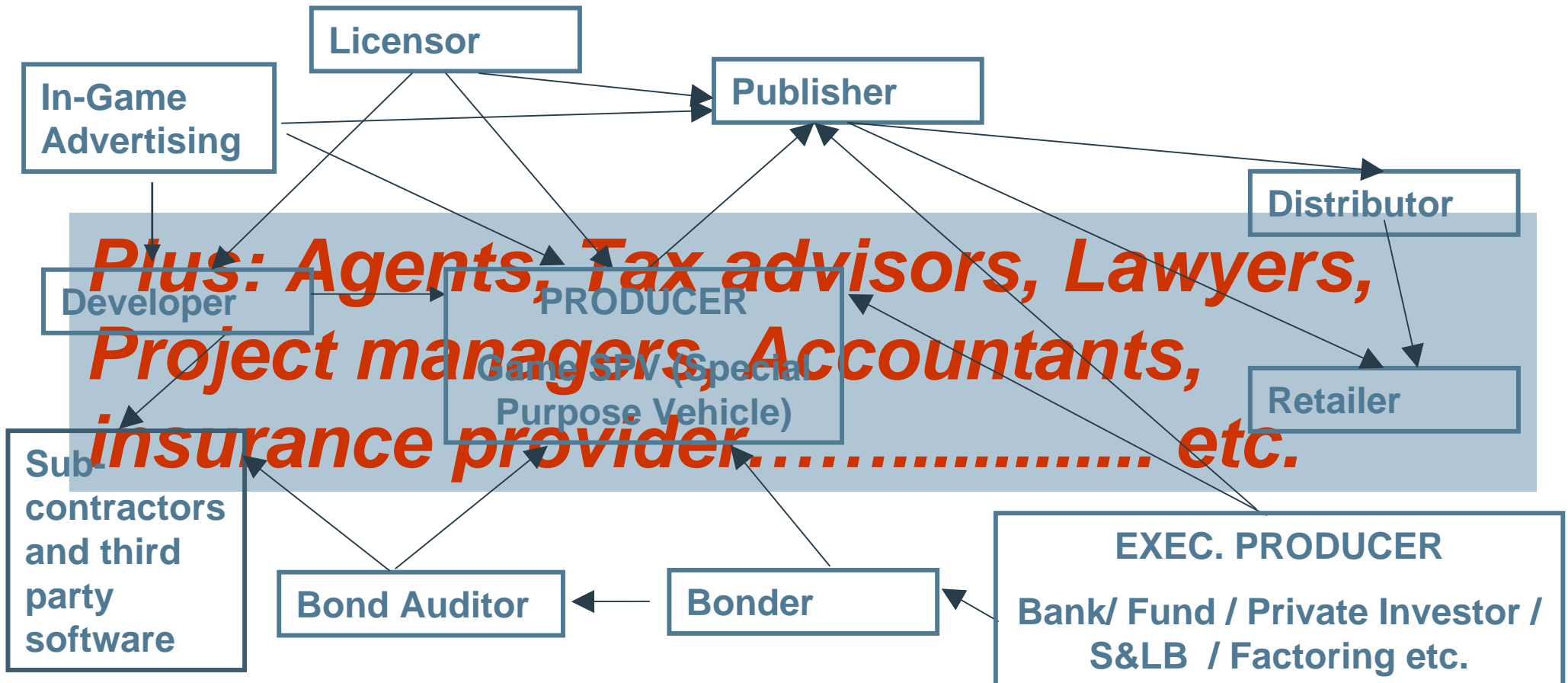
Brave New World 6:





### 3. New Funding Model (3<sup>rd</sup> Party Production Funding)

# Brave New World 7:



### 3. New Funding Model (3<sup>rd</sup> Party Production Funding)

#### Advantages:

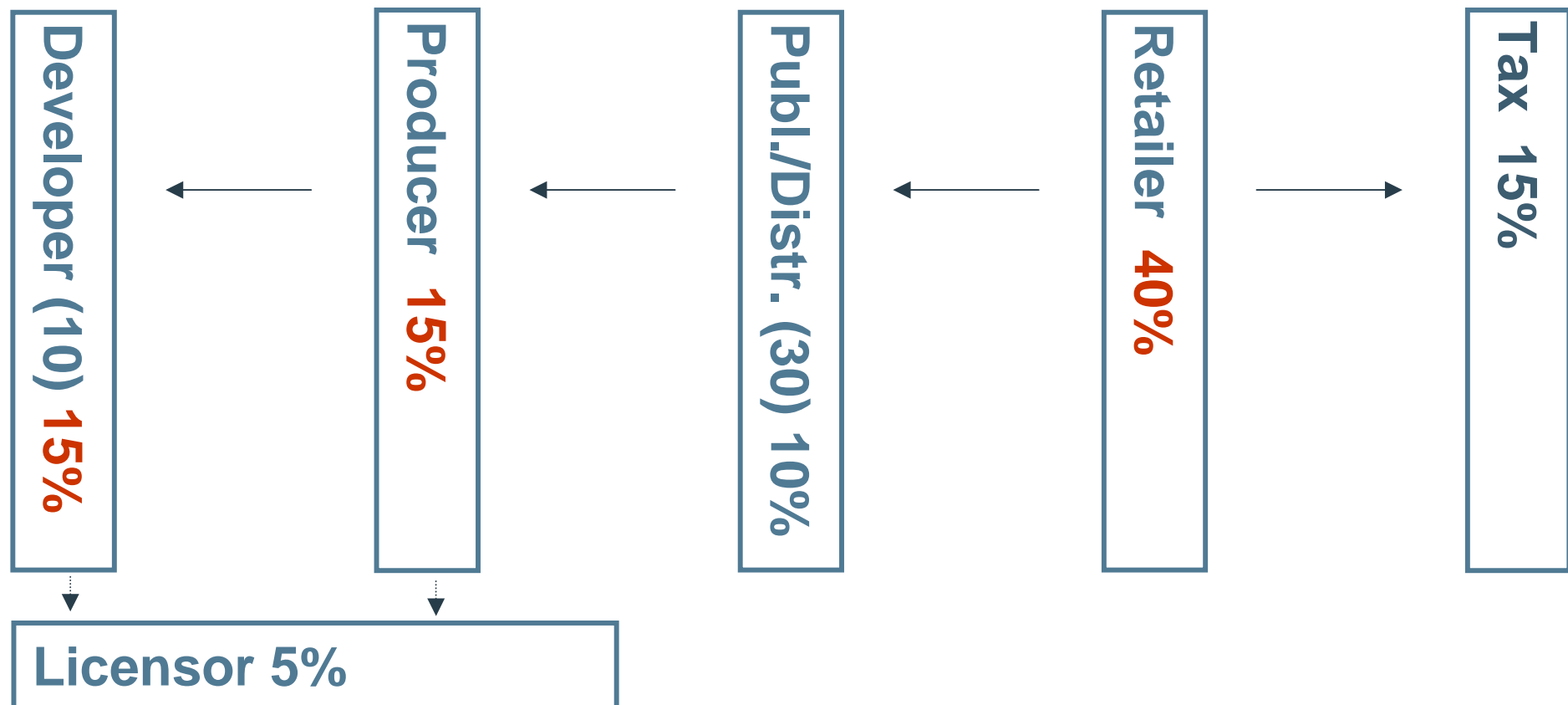
- IP goes back to the original owner
- External instance opinion (consulting for free)
- Financial stability, budget stays on dedicated account
- Risk Capital without selling any share or IP
- Turning publishing deals to distribution deals

(80/20 to 20/80)

**➔ Today you are a Developer. Tomorrow you are a Producer!**

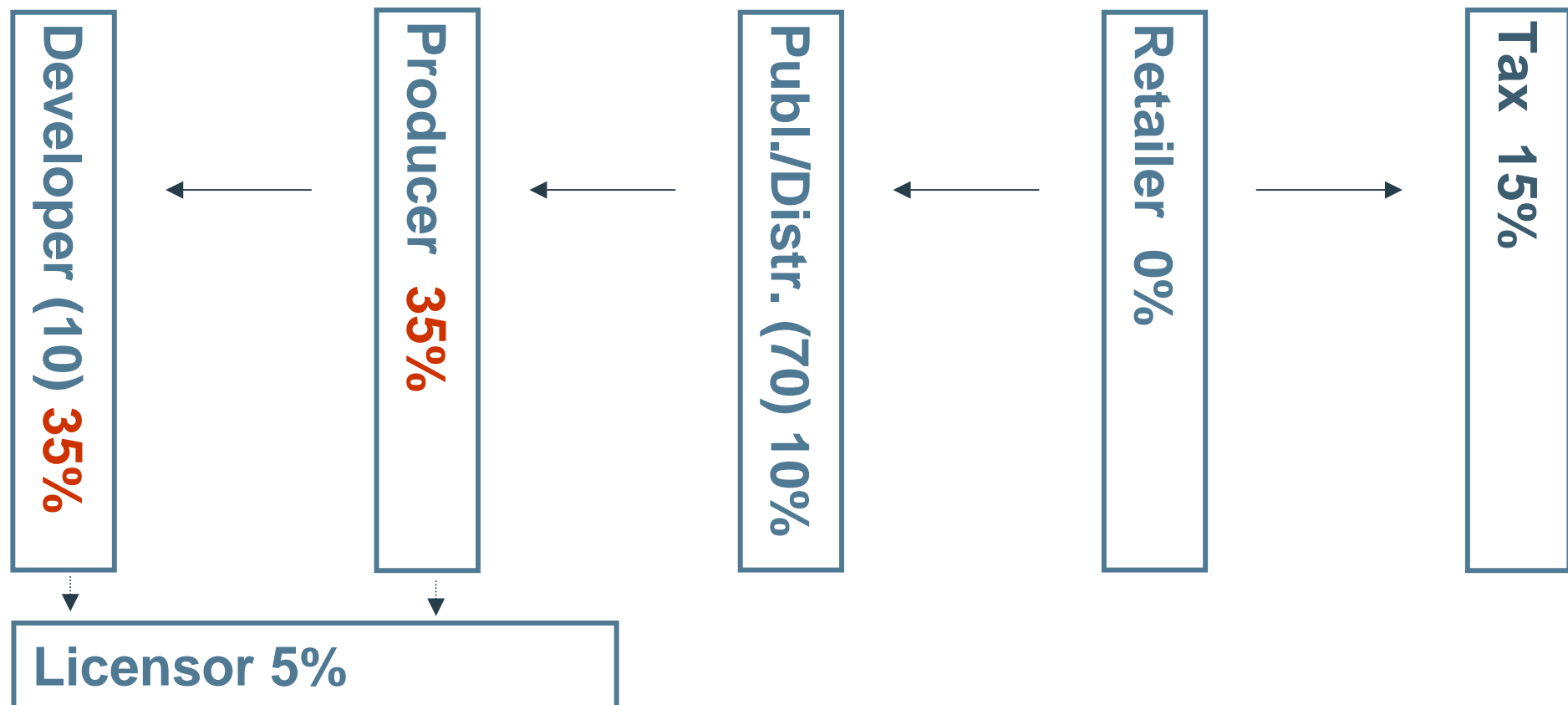
### 3. New Funding Model (3<sup>rd</sup> Party Production Funding)

Result (Value-Added Chain of Offline Games) :



### 3. New Funding Model (3<sup>rd</sup> Party Production Funding)

Result (Value-Added Chain of Online Games) :



# Questions?

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