

Gaming Industry Report

Q3 2023



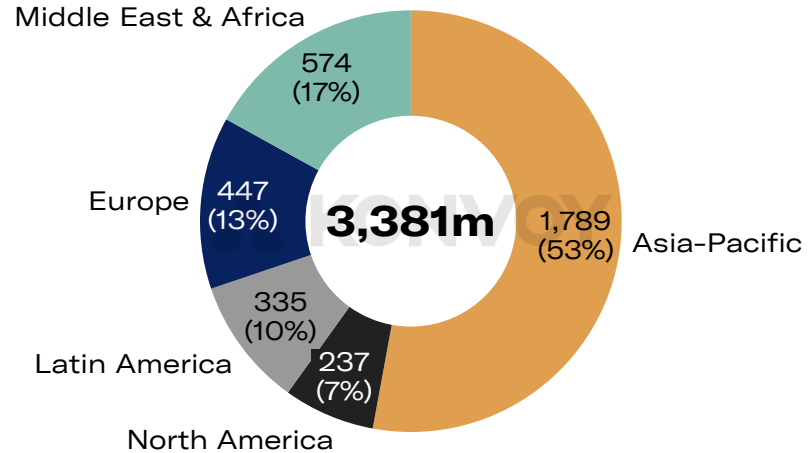
Gaming: at a glance

- **2023 market size:** \$188b (+3% YoY)
- **Public markets:** leading public gaming ETFs up to 20% YTD
- **Venture funding in Q3'23:** \$454m across 87 rounds (funding is -9% QoQ)

Key Trends

- Unity pricing changes
- MSFT <> ATVI: approved on October 13
- Roblox: older age demographic, creator tools, and monetization
- OTT streaming services expand gaming offerings
- Handheld game ecosystems

Total gamers in 2023 by region:

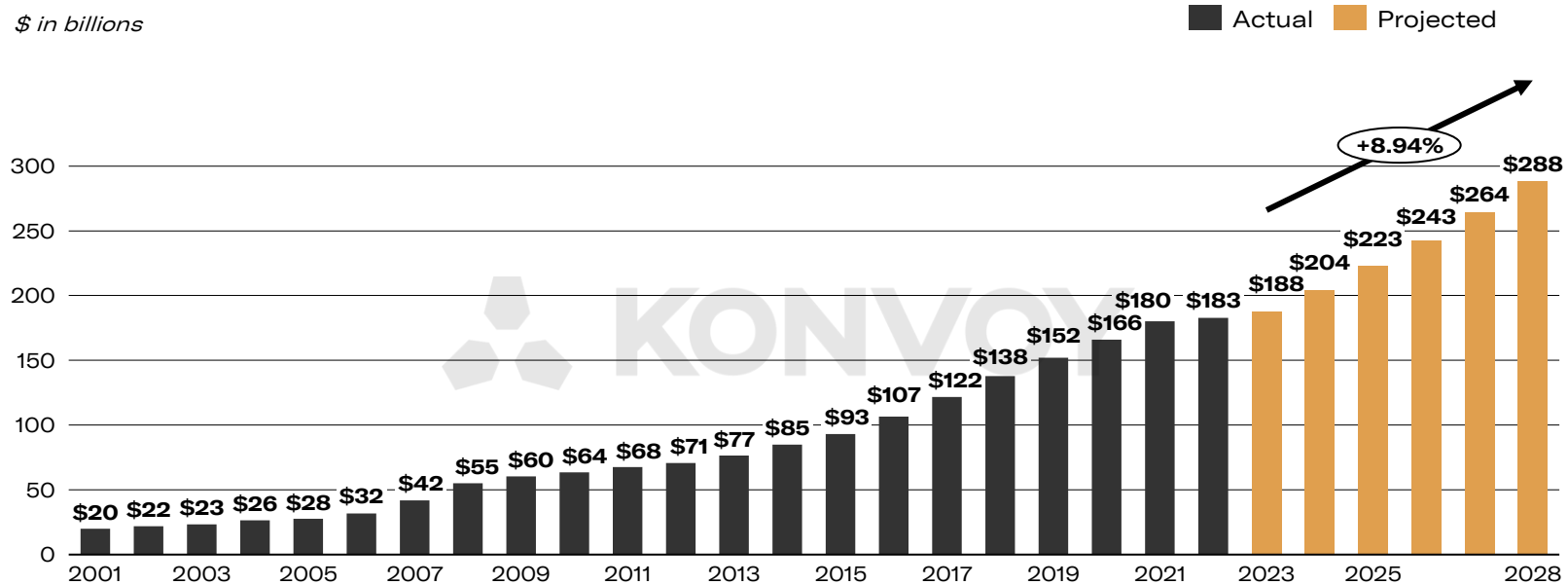


Source: CB Insights, Newzoo, Sony, Microsoft, Nintendo, public reporting, Drake Star



Gaming is a \$188b market today with an 8.94% CAGR projected through 2028

\$ in billions



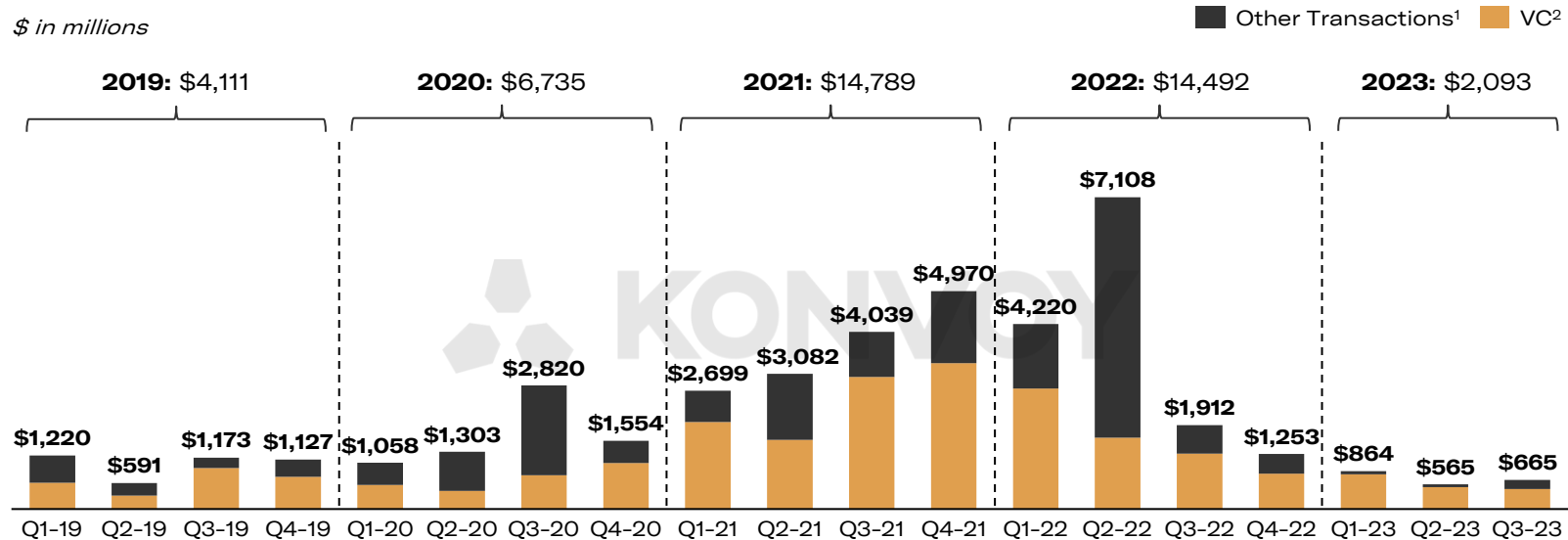
Source: IFPI, Newzoo, Arstechnica, MPAA, Mordor Intelligence



Gaming funding: private markets overview

Investment into gaming has normalized to pre-COVID levels

\$ in millions



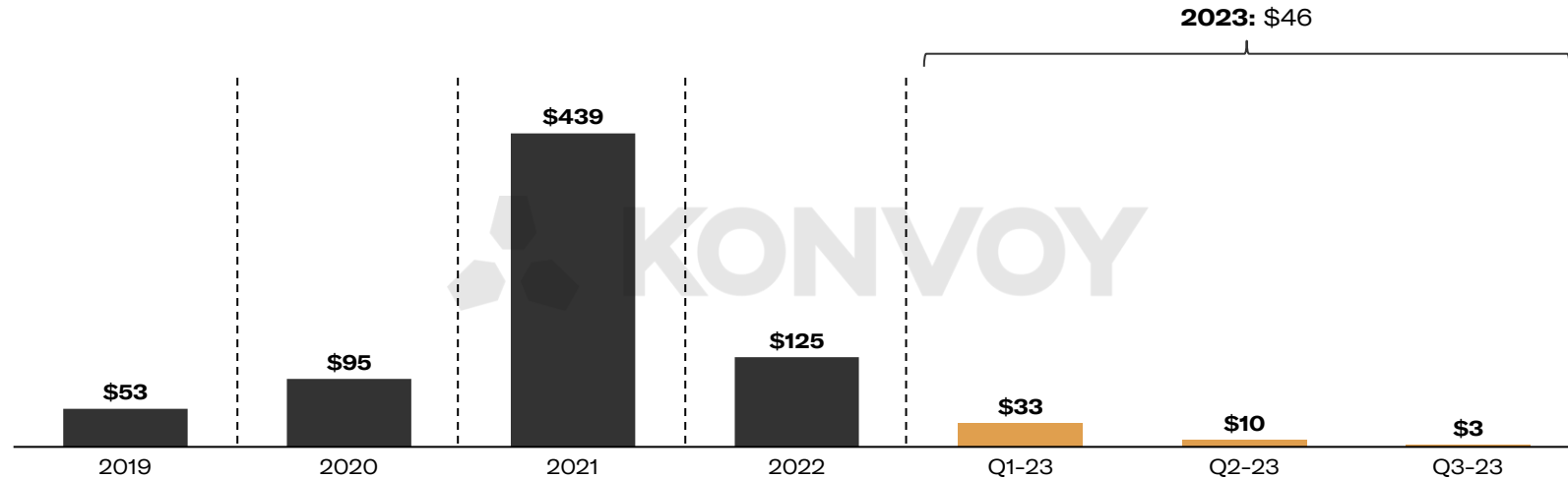
1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: VC includes Pre-Seed through Series I VC; Note: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Gaming debt financing overview

Debt is not a common instrument of funding in gaming

\$ in millions

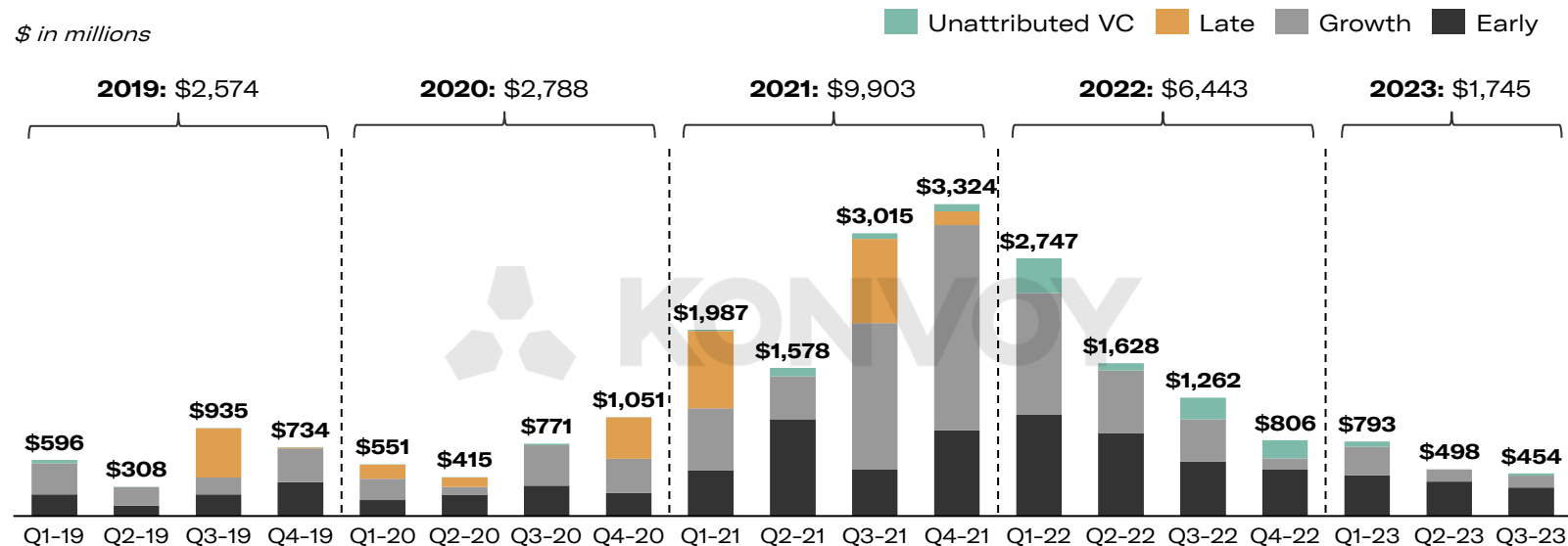


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Gaming VC funding: \$454m (-9% QoQ)

VC funding in gaming has normalized to pre-COVID levels

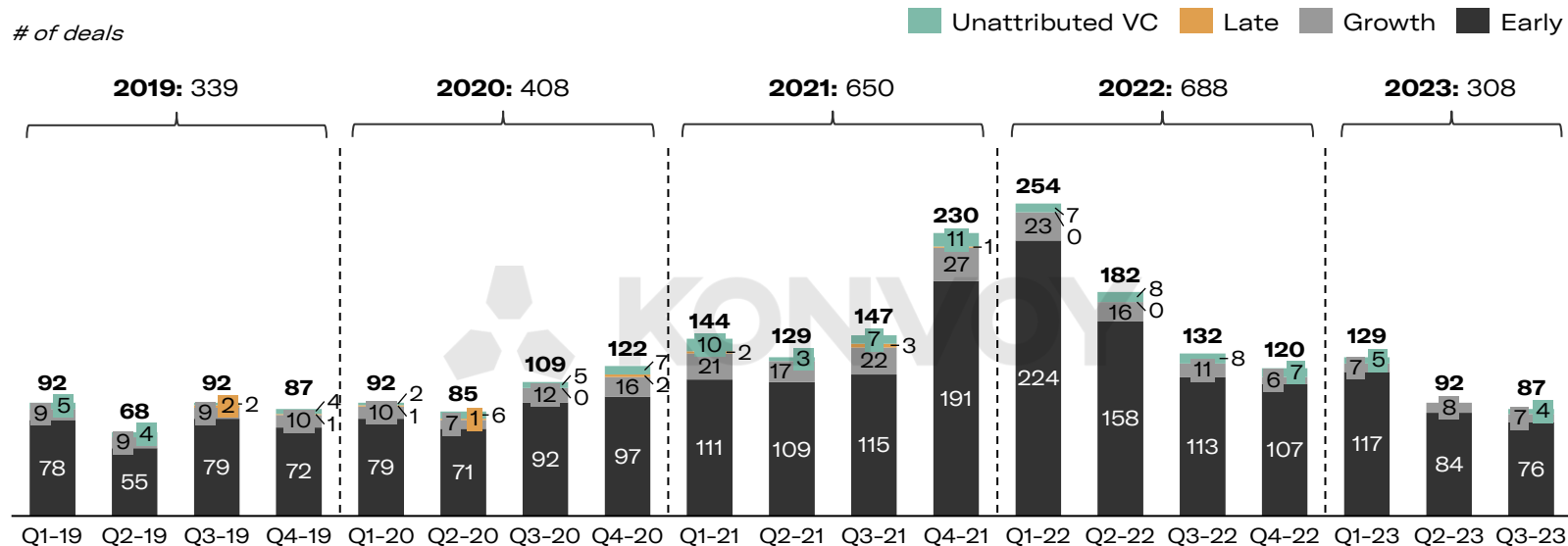


Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Gaming VC deals: 87 (-5% QoQ)

Early stage remains vibrant, growth stage quiet, late stage is silent



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); Source: CB Insights

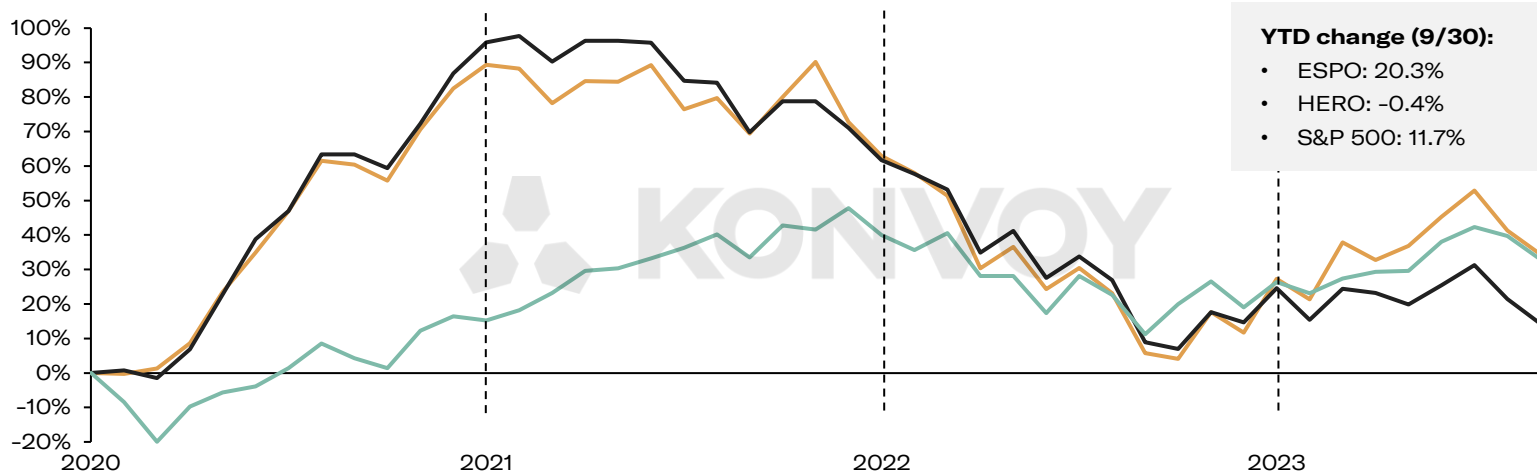


Gaming in the public markets

This year, public gaming stocks peaked in July

Stock performance of Gaming ETFs, % change from January 2020

— ESPO — HERO — S&P500










Source: Public reporting as of October 5, 2023; Note: ESPO seeks to track the MVIS Global Video Gaming and eSports Index (MVESPTR), HERO seeks to track a modified market-cap-weighted global index of companies in video games and esports industry









Public gaming companies hold \$45b in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
 ACTIVISION	\$13.2b
 Nintendo	\$8.9b
 sea	\$3.5b
 Electronic Arts	\$2.3b
 BANDAINAMCO	\$1.9b
 NEXON	\$1.8b
 NETEASE www.163.com	\$1.8b
Others¹	\$11.8b
Total	\$45.1b

Tech companies with Gaming divisions

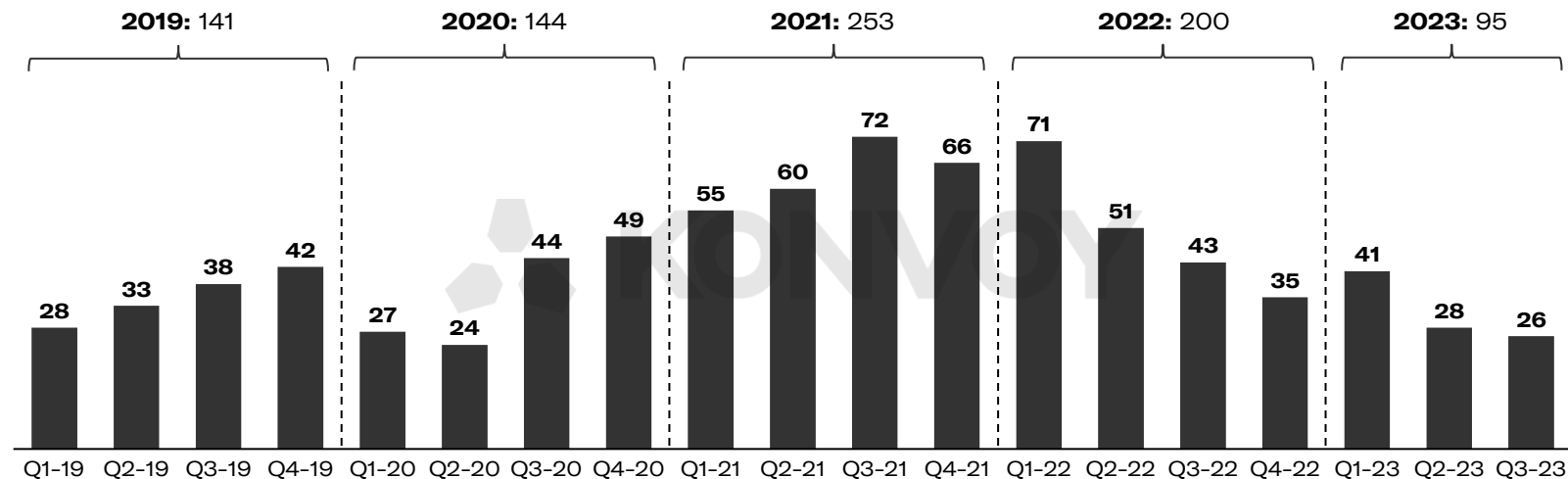
Company	Cash & equivalents ² (USD)
 amazon	\$51.5b
 Microsoft	\$49.7b
 Google	\$34.7b
 Apple	\$28.8b
 Tencent 腾讯	\$28.4b
 Meta	\$25.9b
SONY	\$10.3b
NETFLIX	\$7.7b
Total	\$229.4b

1: Unity, Ubisoft, Konami, Square Enix, Sega, TTWO, Playtika, Applovin, Krafton, Roblox, Embracer, NCSoft; 2: Does not include short-term investments; Source: Latest public reporting (converted to current exchange rate)



Gaming M&A: 90 transactions YTD

M&A activity has normalized to pre-COVID levels













Note 1: Deals are not included in the private markets overview or the debt financing overview; Note 2: Deal transaction values are predominantly not disclosed; Note 3: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



Largest gaming tech & platform VC deals

Gaming tech & platform investments – Q3 2023











	Company name	Stage	Raise, \$m	Region	Comments: <ul style="list-style-type: none"> • Half of the top 10 Tech & Platform deals were into companies in North America • The top 10 Tech & Platform funding totaled \$90.6m this quarter • Proof of Play, who had the largest gaming tech & platform deal in Q3, and Pahdo Labs also develop games (Content)
 Proof of Play	Proof Of Play	Seed	\$33.0	North America	
 Pahdo Labs	Pahdo Labs	Series A	\$15.0	North America	
 GGWP	GGWP	Seed	\$10.0	North America	
 GEEIQ	GEEIQ	Series A	\$8.2	Europe	
 Mint Town	Mint Town	Series D	\$7.2	Asia	
 GAMERCRAFT	Gamercraft	Seed	\$5.0	North America	
 XBORG	Xborg	Seed	\$5.0	Asia	
 NPCx	NPCx	Seed	\$3.0	North America	
 Martian Lawyers Club	Martian Lawyers Club	Pre-Seed	\$2.2	Europe	
 GAM3S.GG	GAM3S.GG	Seed	\$2.0	Europe	

Source: CB Insights



Largest game content VC deals

Game content investments – Q3 2023

	Company name	Stage	Raise, \$m	Region
	Candivore	Series C	\$100.0	Asia
	Proof Of Play	Seed	\$33.0	North America
	Heynext Software	Series A	\$30.0	Australia
	Mountaintop	Series A	\$20.5	North America
	Animoca Brands	Unattributed VC	\$20.0	Asia
	Beat the Bomb	Series B	\$15.0	North America
	Pahdo Labs	Series A	\$15.0	North America
	Xterio	Series A	\$15.0	Europe
	FuzzyBot	Series A	\$13.0	North America
	Mahjong Meta	Seed	\$12.0	Europe

Comments:

- 5 of the top 10 Content deals were into companies in North America
- The top 10 Content deals totaled \$273.5m this quarter (3x that of tech & platform)
- For Australia, Heynext Software (\$30m) was larger than all deals done from Q2 2022 to Q2 2023 combined

Source: CB Insights

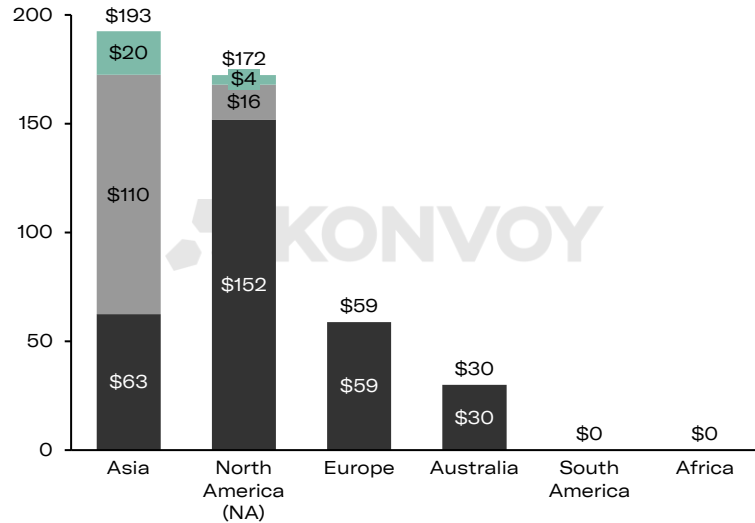


Regional Breakdown

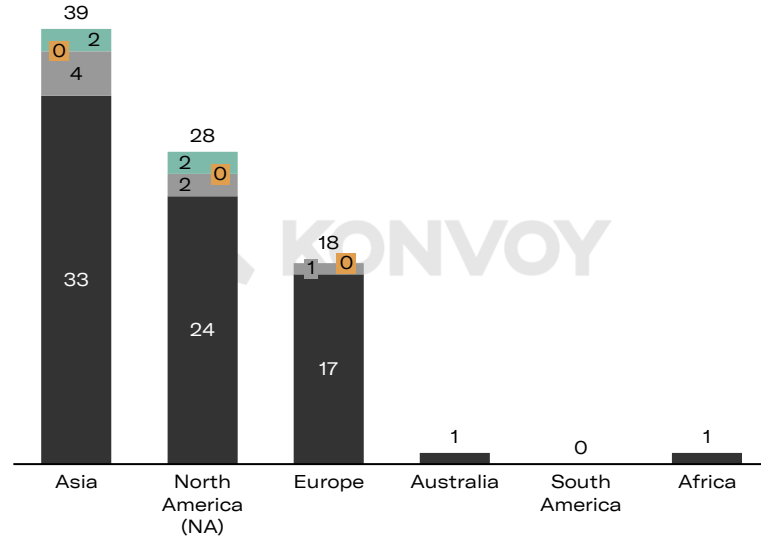


Gaming deals globally: at a glance

Gaming venture funding in Q3 2023, \$m



Number of gaming venture deals in Q3 2023

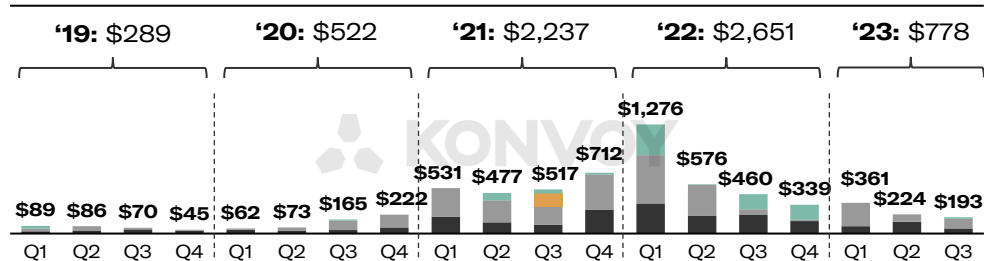


Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Some funding amounts may not be disclosed in source data; Source: CB Insights



Asia: ~40 deals done per quarter in 2023

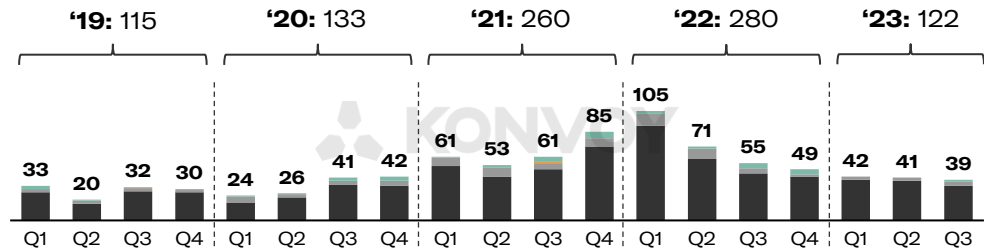
Gaming venture funding from Q1 2019 through Q3 2023, \$m



■ Early ■ Growth ■ Late ■ Unattributed VC



of gaming venture deals from Q1 2019 through Q3 2023



Largest gaming VC deals in Q3 2023

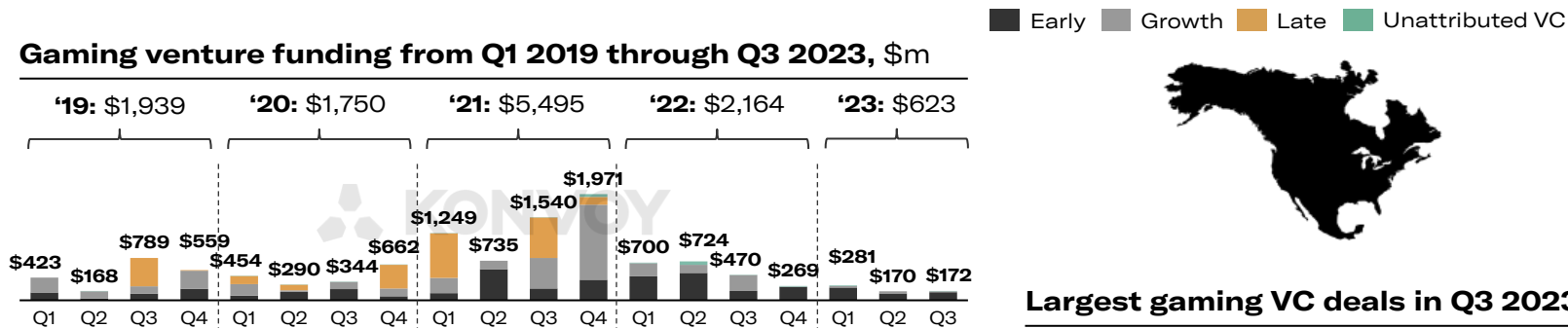
Company	Date	Size
Candivore	Aug-23	\$100.0m
Animoca Brands	Sep-23	\$20.0m
Blackstorm Company	Jul-23	\$11.8m
Mint Town	Jul-23	\$7.2m
MetaCene	Jul-23	\$5.0m
Xborg	Jul-23	\$5.0m

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

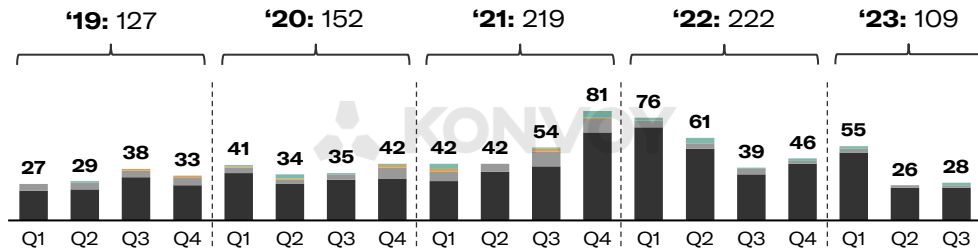


NA: 90% of deals are early stage

Gaming venture funding from Q1 2019 through Q3 2023, \$m



of gaming venture deals from Q1 2019 through Q3 2023



Largest gaming VC deals in Q3 2023

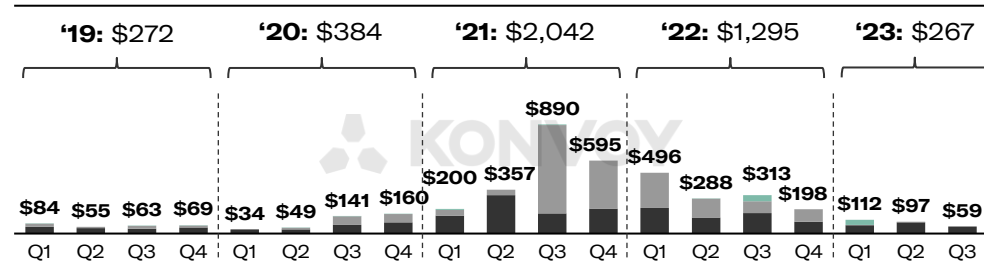
Company	Date	Size
Proof Of Play	Sep-23	\$33.0m
Mountaintop	Sep-23	\$20.5m
Beat the Bomb	Sep-23	\$15.0m
Pahdo Labs	Sep-23	\$15.0m
FuzzyBot	Sep-23	\$13.0m
GGWP	Jul-23	\$10.0m
Gamercraft	Jul-23	\$5.0m

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



Europe: on average, smaller deals getting done

Gaming venture funding from Q1 2019 through Q3 2023, \$m



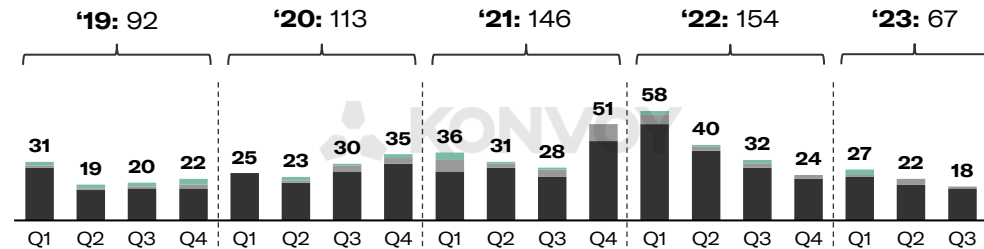
■ Early ■ Growth ■ Late ■ Unattributed VC



Largest gaming VC deals in Q3 2023

Company	Date	Size
Xterio	Jul-23	\$15.0m
Mahjong Meta	Aug-23	\$12.0m
GEEIQ	Sep-23	\$8.2m
Martian Lawyers Club	Aug-23	\$2.2m

of gaming venture deals from Q1 2019 through Q3 2023

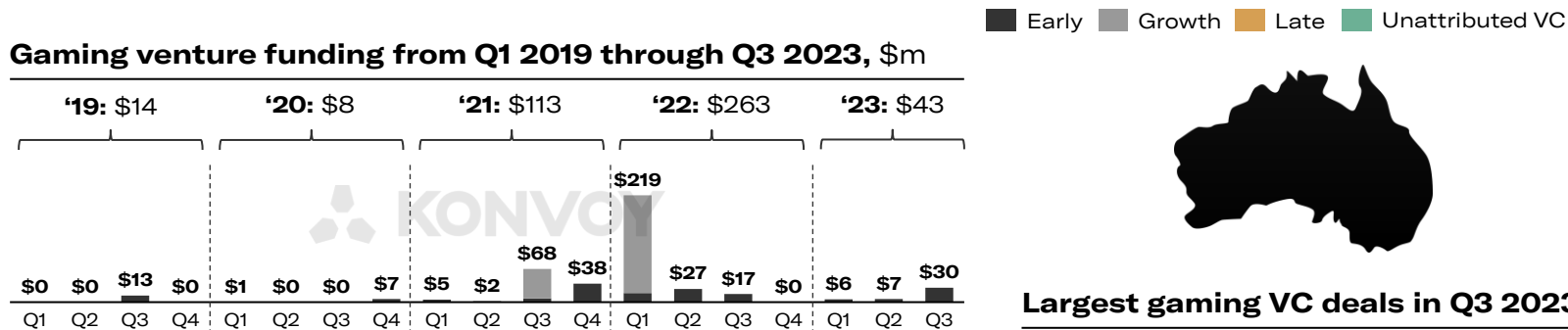


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Australia: first month with \geq \$30m since Q1 2022

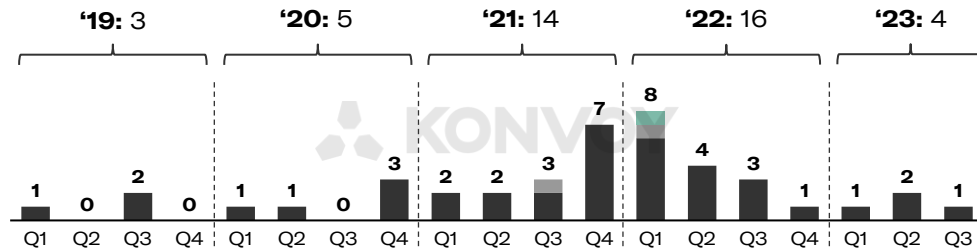
Gaming venture funding from Q1 2019 through Q3 2023, \$m



Largest gaming VC deals in Q3 2023

Company	Date	Size
Heynext Software	Jul-23	\$30.0m

of gaming venture deals from Q1 2019 through Q3 2023

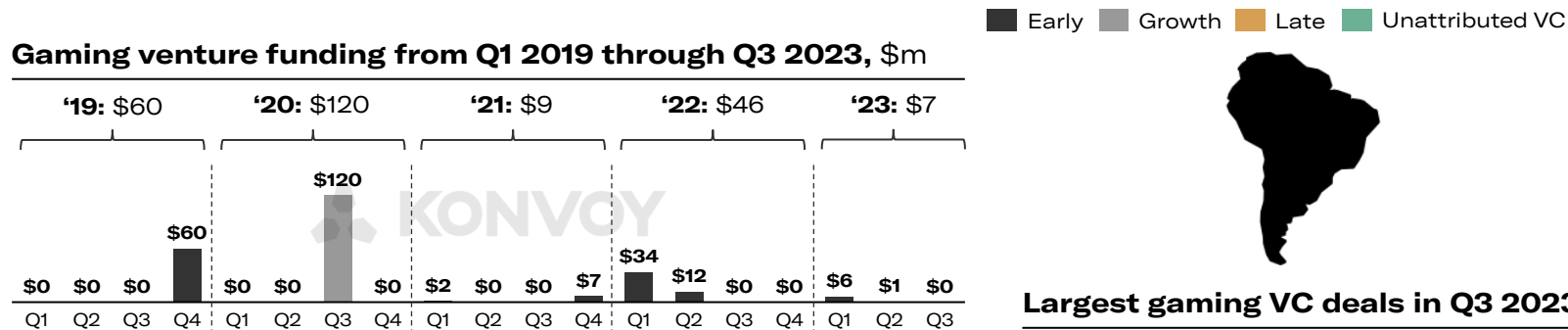


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



South America: no deals done in Q3 2023

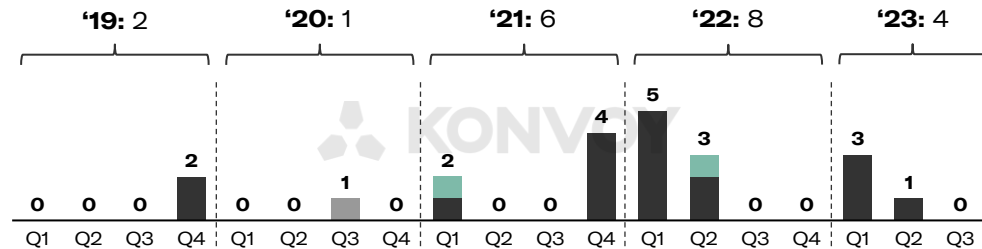
Gaming venture funding from Q1 2019 through Q3 2023, \$m



Largest gaming VC deals in Q3 2023

Company	Date	Size

of gaming venture deals from Q1 2019 through Q3 2023

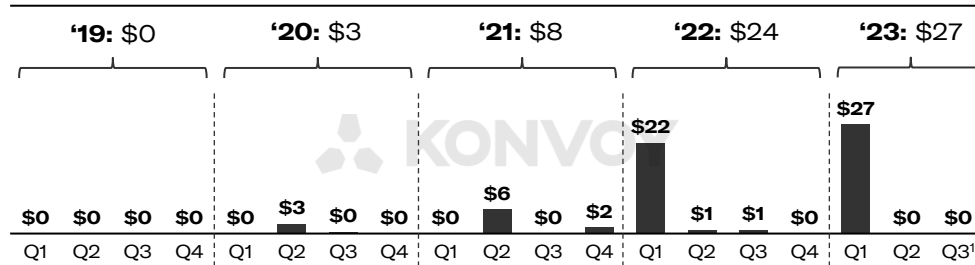


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Africa: one deal done in Q3 2023

Gaming venture funding from Q1 2019 through Q3 2023, \$m



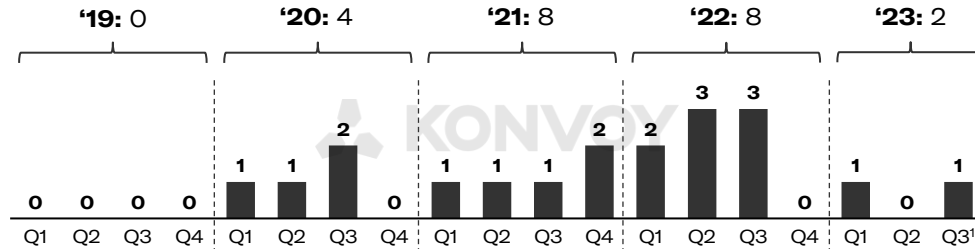
■ Early ■ Growth ■ Late ■ Unattributed VC



Largest gaming VC deals in Q3 2023

Company	Date	Size
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of gaming venture deals from Q1 2019 through Q3 2023



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



- 1 Unity pricing changes
- 2 MSFT <> ATVI: approved on October 13
- 3 Roblox: older age demographic, creator tools, and monetization
- 4 OTT streaming services expand gaming offerings
- 5 Handheld game ecosystems



1 Unity pricing changes

Background: To address a lack of profitability, IDFA pressure on the Ads business (Grow Solutions) and a trend toward smaller teams which would degrade the value of their per-seat model, Unity announced a new “[Runtime Fee](#)” which charges by download. After vocal backlash in the community, they made modifications – removing the fee for Personal users, limiting the fee to the newest versions of Unity and adding an alternative pricing option based on gross revenue.

YOUR CHOICE OF
2.5% gross revenue share
OR
fee based on initial engagements

Tiered rates apply once per initial engagement after your game surpasses \$1M revenue (trailing 12 months) and 1M lifetime initial engagements.

	PERSONAL	PRO	ENTERPRISE
Initial engagements per month	Group A*		
1-100,000	No fee	\$0.15	\$0.125
100,001-500,000	No fee	\$0.075	\$0.06
500,001-1,000,000	No fee	\$0.03	\$0.02
1,000,000+	No fee	\$0.02	\$0.01
Initial engagements per month	Group B*		
Each initial engagement	No fee	\$0.01	\$0.005

Fees will not exceed 2.5% of your game's monthly gross revenue.
Fees only apply to Unity Pro and Enterprise.

Group A: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, South Korea, United Kingdom, and the United States
Group B: All other countries

What is the real impact on the gaming industry?

- **Protecting the Ads business:** prior to the pricing update, Marc Whitten, president of Unity Create, pointed out that only around 10% of Unity users will incur these new costs (primarily hypercasual). However, it has been reported that studios, using Unity’s LevelPlay ad platform had already been offered a 100% Runtime Fee waiver, leading us to believe that this model change is to decrease the incentive for developers to move from Unity to AppLovin
- **Still undercutting engine alternatives:** 70% of top mobile games are built on Unity, driven by the engine’s technical advantages in mobile development. While prior to the updated pricing, there was rumors that developers would attempt to shift to alternatives, the 2.5% gross revenue share is still cheaper than Epic’s Unreal Engine (5%) or in-house development and is a marginal cost versus learning open-source options like Godot
- **Eroded trust, but not enough to meaningfully impact the business:** even with the current pricing model, some developers are wary of the potential for future changes

Source: Unity, GameDeveloper, PC Mag, Mobilegamer.biz



2

MSFT <> ATVI: approved on October 13



- To address the CMA's concern around anti-competitive potential in cloud gaming, MSFT agreed to divest ATVI's cloud streaming rights to Ubisoft for the next 15 years
- UK regulators determined that the restructured deal would preserve competitive prices, better services, and more choice



- Despite the FTC's renewed complaints, the determination by the CMA suggests that the deal is likely to close, and the parties are expected to have a final decision by **October 18th**



- Ensured non-exclusivity:** despite Microsoft asserting that ATVI content will be available through other providers, this concession of rights to Ubisoft cements that they will not be able to make these games (e.g., Call of Duty, Diablo, Hearthstone) exclusive to their own streaming platforms
- Unlocking new business models for Ubisoft:** Ubisoft has the right to license out the ATVI streaming rights worldwide any business model of its choosing, including buy-to-play, multi-game subscription services, or any other model that may arise. In addition to providing Activision games on Ubisoft+ (1st-party game subscription service), Ubisoft will have the option to license these games via other streaming services as well
- Amazon Luna, NVIDIA have time to compete:** given existing cloud infrastructure and capital, the selling of ATVI streaming rights to Ubisoft gives these players time to aggregate content to better position themselves versus Microsoft. Given the high capital requirements, unestablished entrants (start ups) are still unlikely

Following ATVI's decision to divest cloud streaming rights to Ubisoft, the CMA approved the acquisition on October 13

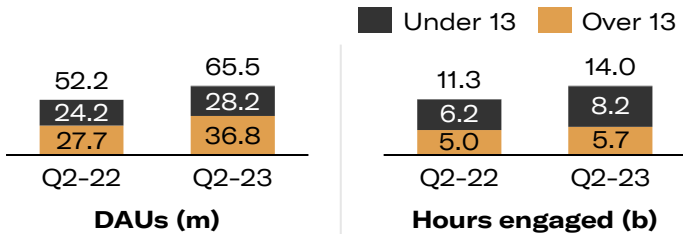
Source: CMA, FTC, Engadget, Gov.UK, Financial Times, Reuters



3 Roblox continues to invest in older age demographic, creator tools, and monetization

What is working today?

- 1 Consistently growing engagement:** daily active users and hours engaged are growing 25% YoY
- 2 Successful external brand engagement:** across 200 brand activations, there were 2.3b visits. On average, players were spending 11.7 mins in these experiences
- 3 Older player demographic is engaged and growing**



Source: Roblox (Q2 2023 Earnings Report, Roblox Developer Conference)

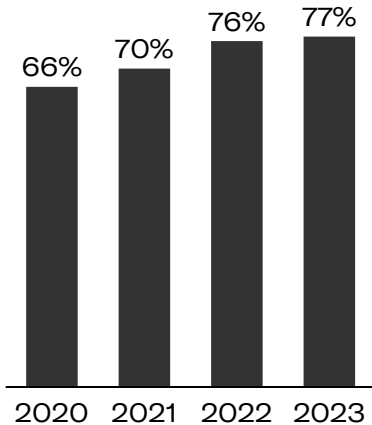
What to expect in 2024+

- 1 More creator tools:** improve accessible creation, AI/ML-enabled tooling, improved creator marketplace
- 2 More monetization opportunities:** improved immersive ads, new subscription business models, more branded merchandise, limited edition item creation
- 3 Improved social experiences:** calling, enabling future social experiences such as dating



4 OTT streaming services expand gaming offerings

% of US households with a smart TV



NETFLIX

- Games on TV are meant to expand access to more content for Netflix's **238m subscribers**
- Last month, Netflix kicked off its first public test of its cloud-streamed games in a "limited beta test" available to subscribers in Canada and UK
- To play games, users use their mobile phones - a "controller that we already have in our hands most of the day"
- Available on Amazon Fire TV streaming media players, Chromecast (Google TV), LG TVs, Nvidia Shield TV, Roku devices, Samsung Smart TVs and Walmart Onn TV

You Tube

- Games are the latest expansion of YouTube as it becomes an all-in-one entertainment service (live streaming, streaming service, VODs, TV, and games)
- Last month, YouTube launched¹ its next "experimental offering", Playables, where users can play games directly on YouTube; this is only available to a select number of users
- This is an evolution of Google's "GameSnacks" and the most recent games endeavor since discontinuing Stadia in January

1: Launched for a limited number of users; Source: TV Technology, The Verge, TechCrunch, Variety, Netflix, Google








5 Handheld game ecosystems: more prevalent as games companies look to own gamers' time

Tailwinds:

- 1 Mobile has made games more accessible, and gamers want to play when and where they want
- 2 Handheld devices allow for better game experiences than mobile (in general)

There are multiple players expanding their handheld presence

	Previous unit sales (m):	Next release:
	Switch 1 (2017)  130	Switch 2 (2024-2025)
	PSP (2004)  80	PlayStation Portal (2023)
	Steamdeck (2022) 3	None confirmed

Source: Nintendo, Sony, Valve, Microsoft, Pure Xbox, IGN, Omdia



Microsoft: only major hardware provider not pursuing a handheld:

- Focusing on device-agnostic model
- Cloud approach allows MSFT content to be easily available on these devices

"We are focused on making the Xbox and [Game Pass] experience great on devices like the Ally. " - Phil Spencer



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, Technology
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 11-15, 2023	Gaming, Media
Slush*	Helsinki, Finland	November 30 - December 1, 2023	Gaming, Technology

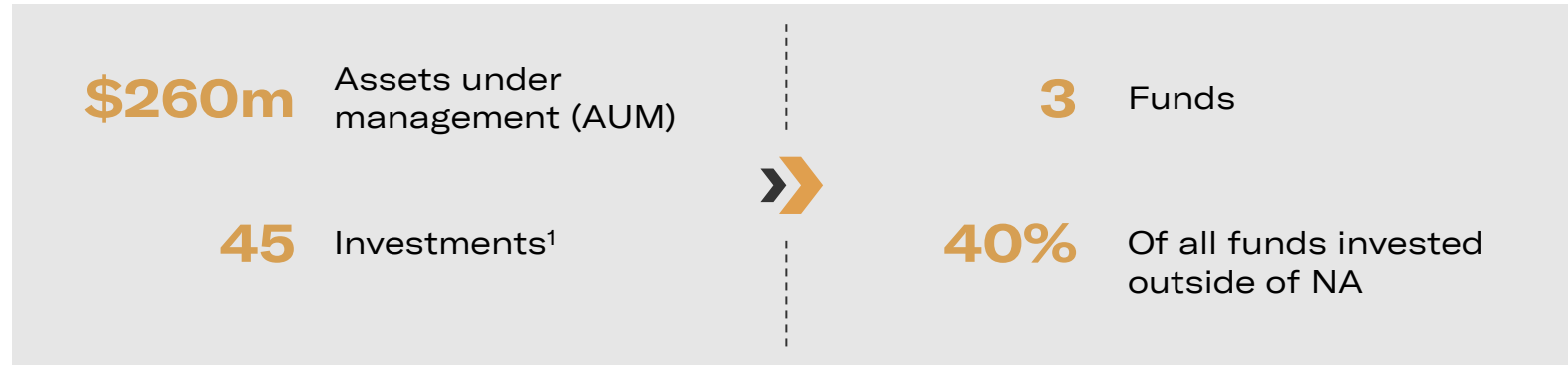
* denotes events our team at Konvoy plans to attend



Konvoy: overview and team



Konvoy: by the numbers



Our top newsletters published in Q3 2023:

1. [Influencer-led Publishing](#)
2. [AI Non-Player Characters](#)
3. [The Future of Handheld Gaming](#)
4. [The Future of User Generated Content](#)
5. [LatAm Gaming Market](#)

1: Initial investments



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



The Konvoy Team

Managing Partners



Josh Chapman



Jason Chapman



Jackson Vaughan

Investment Team



Taylor Hurst
Principal



Dani Tran
Senior Associate



Anthony Schena
Associate



Dhinuka Perera
Head of Platform



Carly Martin
Associate

Platform Team

