

Gaming Deals Activity Report Q1-Q3'2021

Continued growth despite market
turbulence

Q1-Q3

In collaboration with

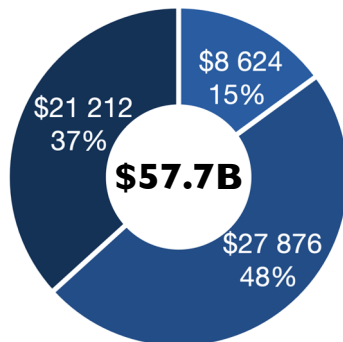


Q1'21—Q3'21 Closed Deals Tracked

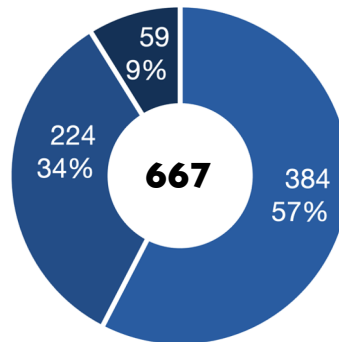
By Deal Type

- Private Investments
- M&A
- Public Offerings

Value of Closed Deals*, \$m



Number of Closed Deals*



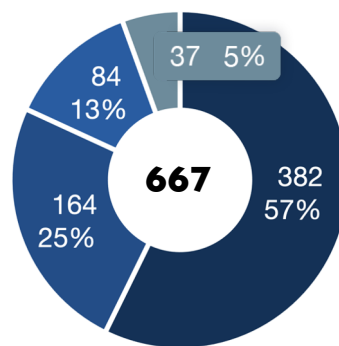
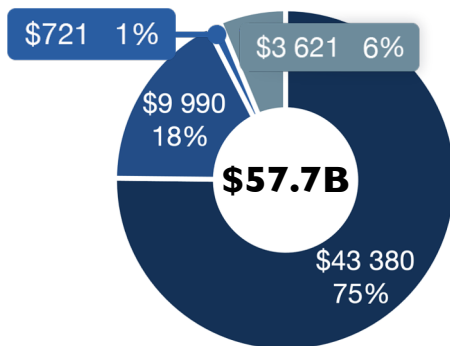
TOTAL

\$57.7B

value of 667 closed deals

By Target Segment

- Gaming
- Platform&Tech
- Esports
- Other



\$62.4B

value of 700 deals (closed + announced)

Executive Summary

- There were **667 transactions** closed in Q1-Q3'21 (compared to 664 deals in 2020FY) with **the total deal value of \$57.7B**, and **33 announced deals** still in process. Cumulative value for both announced and closed transactions accounted for **\$62.4B**
 - Par to the course, the **Gaming segment was the biggest one**, occupying 75% of the total deal value, and 57% of the total closed deals number
- **Q1-Q3'21** shows a **2.5x growth YoY in terms of the cumulative deal value** (\$57.7B vs. \$22.7B), and a **46% growth YoY** in the number of deals (667 vs. 457), with substantial upsurge in all categories, including M&As (\$27.9B vs. \$8.4B), public offerings (\$21.2B vs. \$9.6B) and private investments (\$8.6B vs. \$4.7B)
- 224 **M&As** provided for **nearly half (48%) of the closed deal value**. **Public offerings** saw 59 transactions, accounting for **around 37%** of the total value. **Private investments contributed 15%** with 384 closed deals
- Q1-Q3 saw a **record \$8.6B** of private placements, with the **late-stage deals accounting for 78%** of the value. The two largest funding rounds of Q3'21 were Sorare Series B (\$680m), and Discord Series B+ (\$500m)
- **Public offerings** saw **only 4 deals in Q3'21 with the sum value of \$4B**, which alongside some companies' share price drops suggested uneasy gaming market conditions. However, the cumulative public deal value for Q1-Q3'21 still showed **120% YoY growth**, across 59 deals
- As for **M&As**, **both the value and the deal number shortened**, compared to the previous quarters of 2021. Q3'21, though, still shows heavy-hitter results with **\$5.4B across 69 deals**, adding to Q1-Q3'21 being 3x bigger value wise, and 1.5x bigger deal number wise YoY
- **Blockchain gaming section is truly on fire**: Q3'21 alone got an outstanding \$1B+ deal value across 16 deals, while the cumulative Q1-Q3'21 deal value of \$1.56B represents an overwhelming 34x growth YoY. The biggest rounds of Q1-Q3'21 are Sorare Series B (\$680m), Dapper Labs Series B+ (\$250m), and Forte Series A (\$185m)
- **The top-15 gaming VCs** list invested approximately **\$2.5B of disclosed deal value** in Q1-Q3'21, displaying a continued venture interest in the gaming industry. **Bitkraft still leads the chart** with 17 closed deals, followed by **Galaxy Interactive** and **Makers Fund**
- **Tencent continued steaming the strategic train**, closing a total of 69 deals for Q1-Q3'21 with the overall disclosed deal value of \$1.5B. In Q3'21, the company increased its investment focus on the **Mobile segment**

GAMING ONLY

\$43.4B

value of 382 closed deals

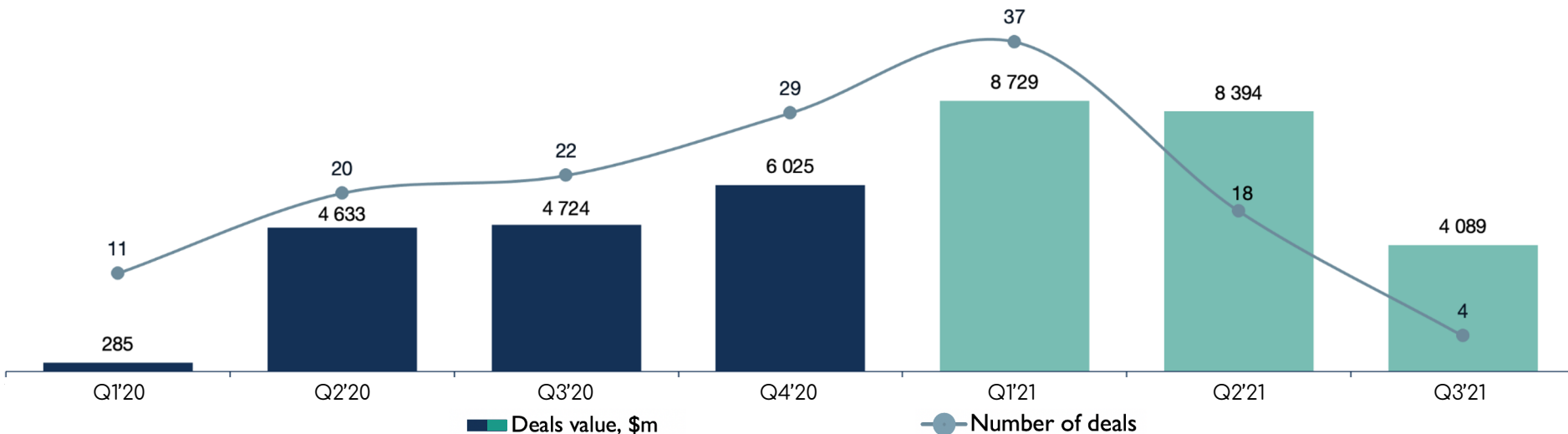
\$48.1B

value of 408 deals
(closed + announced)

Public Offerings Activity

- After the rapid surge of public offerings in the first half of the year, we observed only **four deals** in Q3'21
- However, Q3'21 has granted us **the biggest Public Offering YTD** — \$3.75B IPO of South Korean gaming holding Krafton, the creator of *PUBG* franchise. Other **notable value driving deals of 2021** include Bilibili PIPE (\$2.6B), ironSource de-SPAC (\$2.3B), AppLovin IPO (\$2.0B), and Playtika IPO (\$1.9B)
- In Q2'21 we observed the public offerings activity stop its 12-months growth rally, and experience a significant drop in the number of deals, with the downward trend continuing in Q3'21. The trend suggests **the turbulent times for the industry leaders**, with many public gaming companies experiencing a share price decline

Public Offerings in the Video Games Industry*

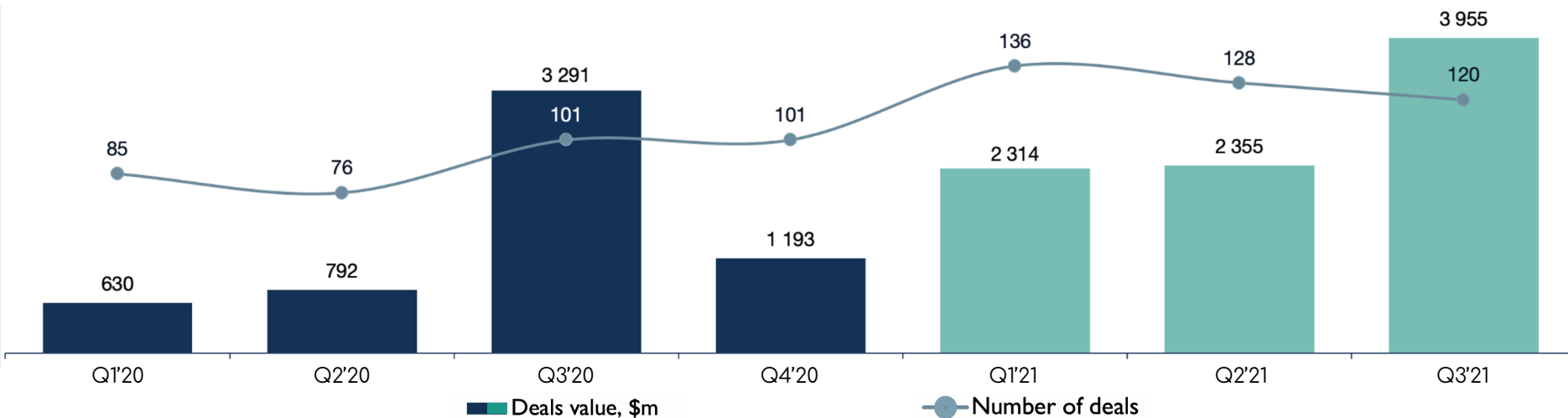


Note: (*) only closed Q1-Q3 2021 deals are reflected in the graphs;
The amount doesn't include Tencent fixed-income offerings of \$4.04B and Roblox direct listing closed during H1'21

Private Investment Activity

- For Q1-Q3'21 private investments show a significant growth compared to Q1-Q3'20, reaching **\$8.6B** with **384 closed deals**, and providing **+83% YoY growth in transaction value**, and **+47% YoY growth in the deal number** respectively
- Late-stage deals continue to be the main contributor in Q3'21, accounting for **78% with massive \$3.07B raised capital** across 20 deals; meanwhile, **early-stage deals accounted for 13%** of the value (\$518m across 72 deals), while **corporate deals added 9%** with 28 deals
- The most notable transactions in Q3'21, **contributing almost 45%** of all deal value, were Sorare (\$680m), Discord (\$500m), Jam City (\$350m), and Dapper Labs (\$250m)

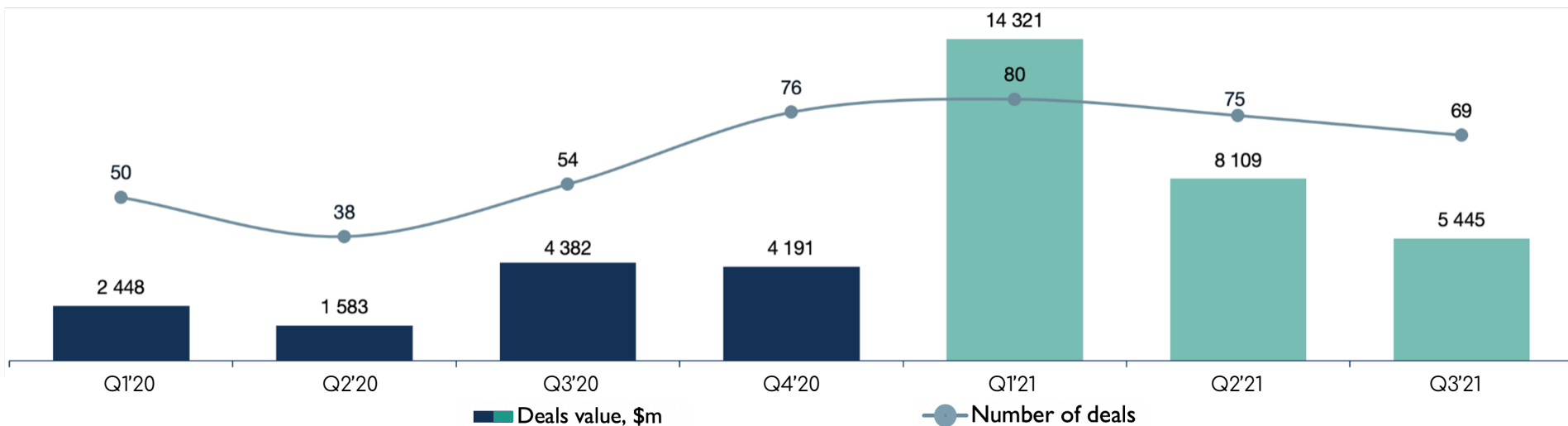
Private Investments in the Video Games Industry



M&A Activity

- We see continued robust M&A activity in Q3'21 with 69 closed transactions, and 30 deals announced and pending closing
 - Other notable deals, announced in Q3'21 (but not closed during the quarter) include SpinX (\$2.19B), Sumo Group (\$1.27B), StarLark (\$525m), and Jawaker (\$205m)
- **Mobile gaming sector was the core driver** of the deal activity in Q3'21, accounting for **84% of total value** with only one closed mega-deal — **\$1.4B** acquisition of mobile sports game developer **Playdemic** by Electronic Arts

M&As in the Video Games Industry*



Note: (*) only closed deals are reflected in the graphs (excl. Sumo Group and other deals)

Top-15 VC Funds by Deal Activity in Q1-Q3'21

Rank*	Venture Capital Fund	# of total deals	Total deal value**, \$m	# of leading deals	Leading deals value**, \$m	Selected lead deals
1	Bitkraft Ventures	17	267.3	13	122.5	Immutable, Resolution Games, Anzu, Starform
2	Galaxy Interactive	16	479.5	5	89.0	Bad Robot Games, 1047 Games
3	Makers Fund	11	444.7	6	181.2	Dream Games, Ramen VR, Lightheart Entertainment
4	VGames	12	125.3	9	13.8	Candivore, Boom Corp.
5	Hiro Capital	8	41.2	7	32.2	Double Loop, Snowprint, Keen Games, Twin Suns
6	Index Ventures	6	819.5	4	308.5	Dream Games, Discord, Rec Room
7	Ludus Venture Studio	9	6.6	7	5.6	Hey Games, Maestro Game Studio, Jambox, Paxie Games
8	Griffin Gaming Partners	6	274.5	2	237.0	Forte, Overwolf
9	WePlay Ventures	7	3.6	7	3.6	Hero Concept, UDO Games
10	Konvoy Ventures	7	38.4	4	13.1	Carry1st, StageZero
11	GEM Capital	6	8.3	5	8.3	VEA Games, Vestan, Unfrozen, Weappy, Gamera
12	Lumikai	4	13.4	4	13.4	All-Star Games, Loco
13	EQT Ventures	2	17.5	2	17.5	Colossi Games, Hiber
14	Play Ventures	7	106.6	2	1.2	Clickwork Games
15	Andreessen Horowitz (a16z)	6	564.1	1	4.6	Yield Guild Games

Note: (*) based on internal weighted average ranking system; (**) based on investments with disclosed deal value











Top-15 Strategic Investors by Deal Activity in Q1-Q3'21*

- For Q1-Q3'21 the top-15 strategic investors have closed **the total of 134 corporate and M&A deals** (+30 deals in Q3'21) with **\$23.4B in total value** (+\$2B in Q3'21)
- There were **two significant transactions** in Q3'21:
 - Electronic Arts closing the acquisition of Playdemic for \$1.4B
 - MTG completing the acquisition of PlaySimple for \$510m
- Aside from Tencent, which closed 16 deals in Q3'21, the most active strategic investors in Q3'21 were:
 - Embracer Group, announcing/closing additional 11 deals, including such notable transactions as CrazyLabs, Bytex, Fractured Byte, Slipgate Ironworks, and 3D Realms
 - MGVC (MY.GAMES), closing 5 deals: WideView Games; Vox; The Breach Studio; Mamboo Games; Tworogue Games
 - Sony acquiring 2 more studios: Nixxes and Blueprint Games
- In Q3'21, **Tencent displayed more activity in the Mobile segment** with 8 closed deals, rather than in the PC&console segment (4 closed deals). The company's major area of investment was China, with 14 closed deals in the region

Rank**	Strategic Investor	# of deals	Disclosed Value, \$m	Deal Type	Investment Focus
1	Tencent incl. subsidiaries	69	1 500	M&As, Corporate	PC&console, Mobile, Cloud
2	Embracer Group	18	3 151	M&As	PC&console, Mobile
3	Sony	11	400	M&As, Corporate	PC&console, Tech
4	ByteDance	5	4 021	M&As, Corporate	Mobile, VR
5	Electronic Arts	4	4 700	M&As	PC&console, Mobile
6	Stillfront Group	5	513	M&As	Mobile, PC
7	Zynga	4	775	M&As	Mobile, PC&console
8	Unity Software	5	320	M&As, Corporate	Tech
9	Microsoft	1	7 500	M&As	PC&console
10	MY.GAMES / MGVC	9	30	M&As, Corporate	Mobile, Cloud
11	Epic Games	6	100	M&As, Corporate	Tech, PC&console
12	Take-Two Interactive	4	378	M&As, Corporate	PC&console, Mobile
13	Keywords Studios	4	123	M&As	Outsourcing
14	AppLovin	1	1 000	M&As	Tech, Mobile
15	MTG	2	699	M&As	Mobile, Esports

Note: (*) including recently announced and unclosed transactions; (**) based on internal weighted average ranking system, this rating reflects most active strategics, thus the deal value alone does not guarantee the top spot — the number of deals is substantial too

Top-10 Sell-side Advisors by Deal Activity in Q1-Q3'21*

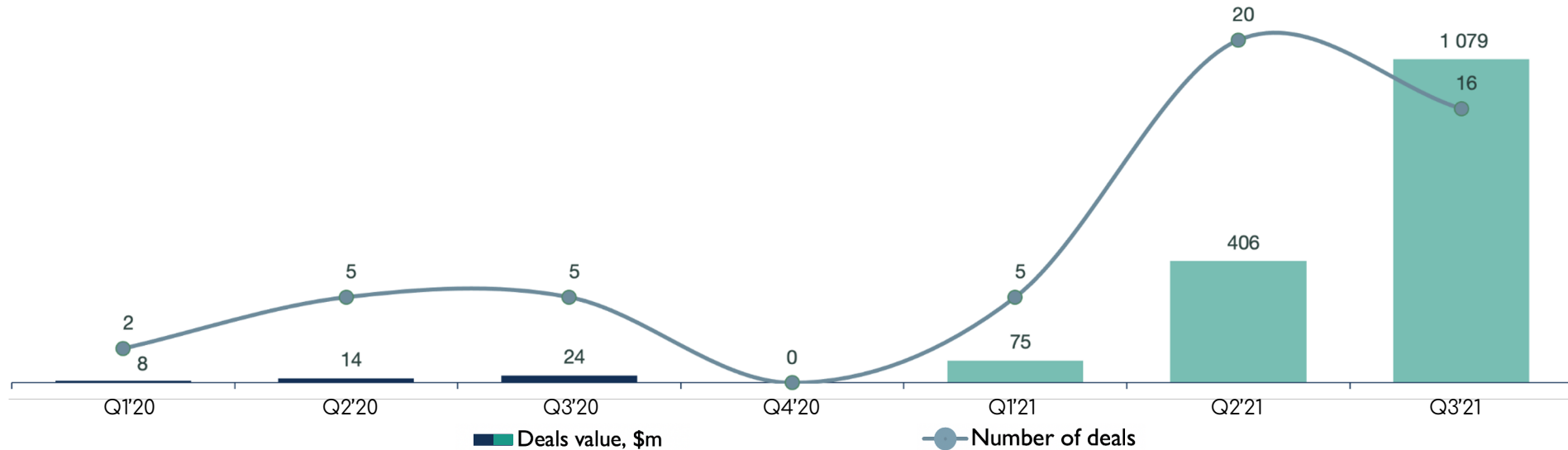
Rank	Sell-side advisor	# of deals*	Deal value, \$m**	Transactions
1		5	2 515	CrazyLabs, Reworks, PlaySimple, Easybrain, Jagex (<i>exclusive</i>)
2		3	4 165	Ludia, Moonton Technology, Tonic Games (<i>exclusive</i>)
3		2	9 600	ZeniMax Media (<i>exclusive</i>), Glu Mobile (<i>non-exclusive</i>)
4		1	1 400	Playdemic (<i>exclusive</i>)
5		1	1 200	Codemasters (<i>exclusive</i>)
6		1	200+	Super Free Games (\$150m upfront + estimated earn-out; <i>exclusive</i>)
7		1	450	Aspyr (\$100m upfront + \$350m earn-out; <i>exclusive</i>)
8		1	130+	Innova (<i>exclusive</i>)
9		1	2 100	Glu Mobile (<i>non-exclusive</i>)
10		1	1 378	Gearbox (<i>non-exclusive</i>)

Note: (*) the table includes closed games deals with control sale and transaction size (incl. earn-out) higher than \$80m only; (**) estimated deal size

Q1-Q3'21 Blockchain Gaming Deals — Presented by Naavik*

- We see a tremendous growth in the blockchain section of the industry: the total number of deals for Q1-Q3'21 has jumped **3.4x YoY** (41 vs. 12), while the total deal value has **34x'd YoY (\$1.56B vs. \$46M)** — so the investor interest in the potential future of blockchain games cannot be any more obvious
- The **biggest Q3'21 blockchain deals** are Sorare Series B round of \$680m (Europe's biggest ever Series B, and the largest ever in the NFT space, both accurate for Q1-Q3'21), followed by Dapper Labs Series B+ round of \$250m, and Immutable Series B round of \$60m

Blockchain Gaming Deals in the Video Game Industry**



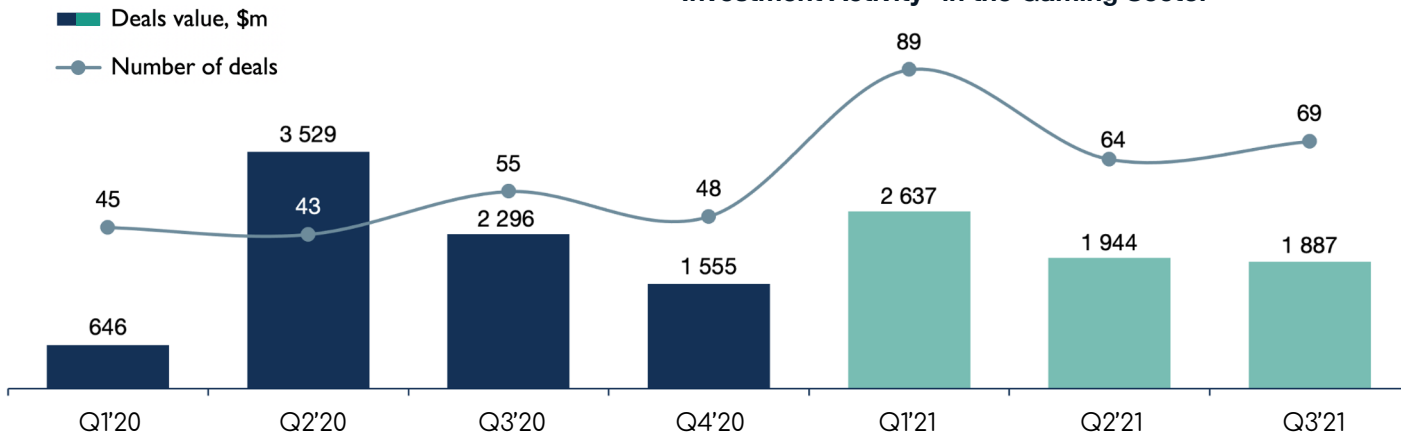
- There was heavy concentration in Seed rounds (~55%), but check sizes were usually small (~\$3M/deal), and made up 4% of all the YTD deal value. That basically showcases that **investors are ok getting in early through private token sale rounds, but are also cautiously skeptical**
- Enjin was the only one with a rather large \$18.9M seed round through the sale of its new EFI token to build a NFT dedicated blockchain layer on the Polkadot network (an emerging Layer 1)
- **70% of the total YTD deal value was in various Series A/B** across a total of 11 deals. The most notable were Sorare at \$728M (Series A + B), Forte at \$185M (Series A), Mythical Games at \$75M (Series B), and Immutable at \$60M (Series B)
- Other notable Series B+ deals included Dapper Labs \$250M and Animoca Brands ~\$140M
- Sorare’s massive funding is driven by two key points: first, it opens up an entirely new and legitimate secondary sales market for football, and second, it provides the massive TAM of football fans around the world to engage with their favorite teams in a completely new way
- What’s common between Forte, Mythical Games and Immutable is that they’re all working **towards building blockchain/token integration platforms** of sorts — though it should be noted that the latter two also publish their own games, and are their own platforms’ customer. This is similar to Dapper Labs, and this is also why Enjin received a relatively large seed round funding
- Animoca Brands is definitely an odd one out, as its strategy is closer to that of an aggregator and investor. They’re leveraging their 15 years of F2P experience to acquire genre-specific game studios, sign licensing agreements, and build content into their studios’ games with NFT components
- One final and very unique investment is that of Yield Guild Games (YGG). This is a blockchain gaming guild that purchases very expensive blockchain gaming assets and rents them out to time-rich players from developing countries primarily, so that they can play-and-earn and profit share with YGG
- Overall, it is quite clear that the **companies commanding the largest funding rounds are the ones who are seizing the moment to build platform layers** on which the future of blockchain games could live. Companies purely focused on building a blockchain game are getting significant attention too, but check sizes are much smaller. All that said, the absolute biggest takeaway is that **blockchain gaming has clearly arrived, and the next 2-3 years of building will be pivotal to the future of the space**

Gaming Companies

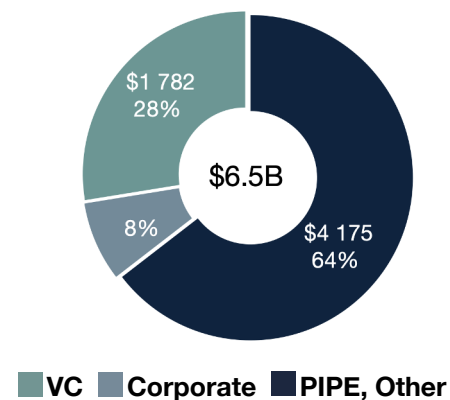
Gaming: Investment Activity

- Gaming investment activity in Q1-Q3'21 **shows almost similar performance compared to Q1-Q3'20** with the total deal value of **\$6.5B** and **significant growth in terms of the transaction amount with 222 closed deals (+55% YoY)**
- Late-stage deals **accounted for almost 65% of total deal value** in Q3'21: Jam City \$350m round; Tilting Point series B round of \$235m, Virtuous \$150m round, and \$120m Genvid Holdings series C round
- Early-stage deals amounted for **55% in the total number of transactions with 38 closed deals** including one mega-deal: ProbablyMonsters series A round of \$200m
- Tencent **was the main contributor with 10 closed deals** among a total of 19 deals in corporate segment (28% of total number of deals in investment activity)

Investment Activity* in the Gaming Sector



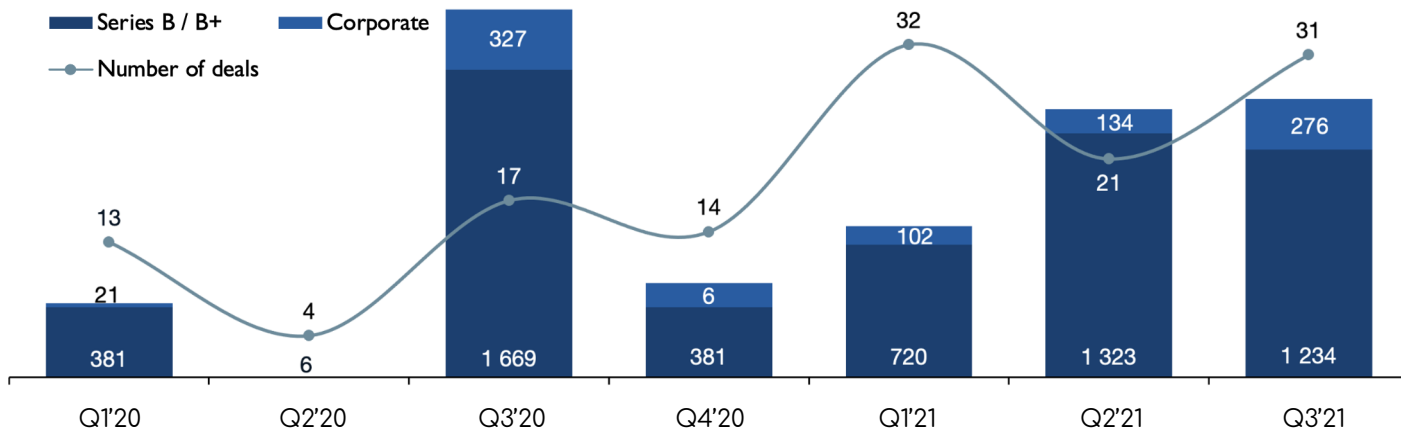
Q1-Q3: Value of Deals, \$m



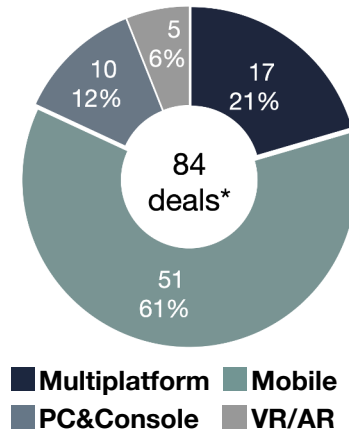
Note: (*) Investment Activity includes Private Investments and PIPE, Other

Gaming: Late-stage VC & Corporate

Late-stage VC & Corporate Activity in the Gaming Sector, in \$m



Q1-Q3: # of Late-stage Deals

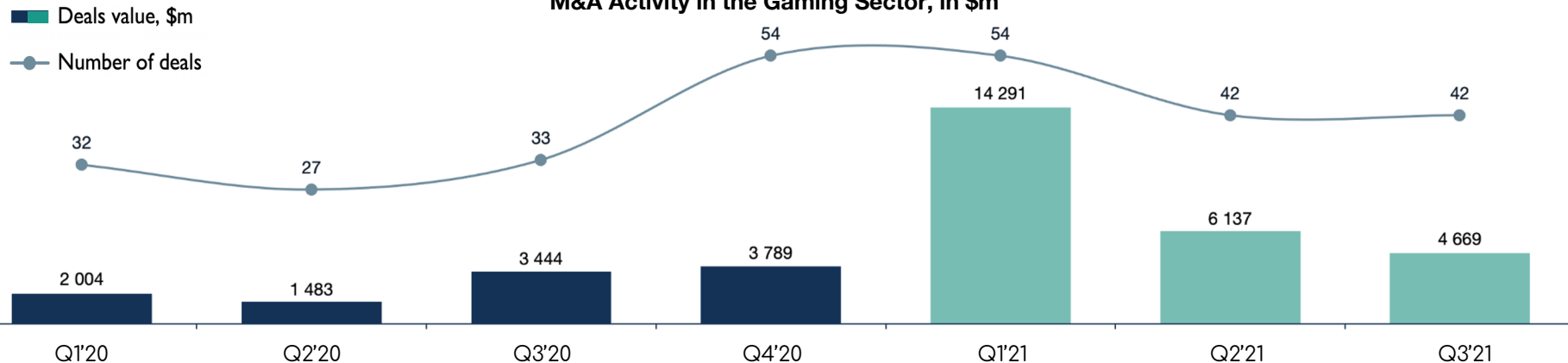


- In Q1-Q3'21 Late-stage VC & Corporate **demonstrated strong results: \$3.8B in deal value (+58% YoY) and 84 closed transactions (+147% YoY)**
- With 12 closed deals in Q3'21 for the overall amount of \$1.2B **Late-stage VC accounted for almost 82% of total transaction value and 39% in deal numbers respectively**
 - In September, Jam City raised \$350m in equity and debt financing from Netmarble, Kabam, and other participants
 - US-based free-to-play games publisher Tilting Point raised \$235m in its first-ever equity financing
 - Singapore-based AAA game development service provider Virtuos received an investment of \$150m. The round was led by Baring Private Equity Asia
- **Tencent continues to be the major player in corporate investment activity** with 10 deals closed in Q3'21, and 42 deals in Q1-Q3'21
- Mobile segment continues its trend and remained **the largest segment of investment in Q3'21**, accounting for almost 61% of the total number of deals

Note: (*) Includes \$150m Series B round of gaming outsourcing firm Virtuos

Gaming: M&As

M&A Activity in the Gaming Sector, in \$m



- In Q1-Q3'21 M&A activity in gaming **reached a new record** with the total deal value of **\$25.1B in 138 deals**, compared to \$6.9B and 92 deals in Q1-Q3'20
- Even though compared to Q1'21, Q2'21 and Q3'21 continued a declining trend in transaction value, there are **26 M&A announced deals to be closed in the foreseeable future** with a value of **more than \$4.7B**:
 - Netmarble acquires SpinX Games for \$2.19B
 - Sumo Group acquisition by Tencent for \$1.26B
- **Mobile segment contributed almost 97% of total deal value** with 14 closed transactions in Q3'21, compared to **31%** and **58%** in Q1'21 and Q2'21 respectively

Largest Mergers and Acquisitions

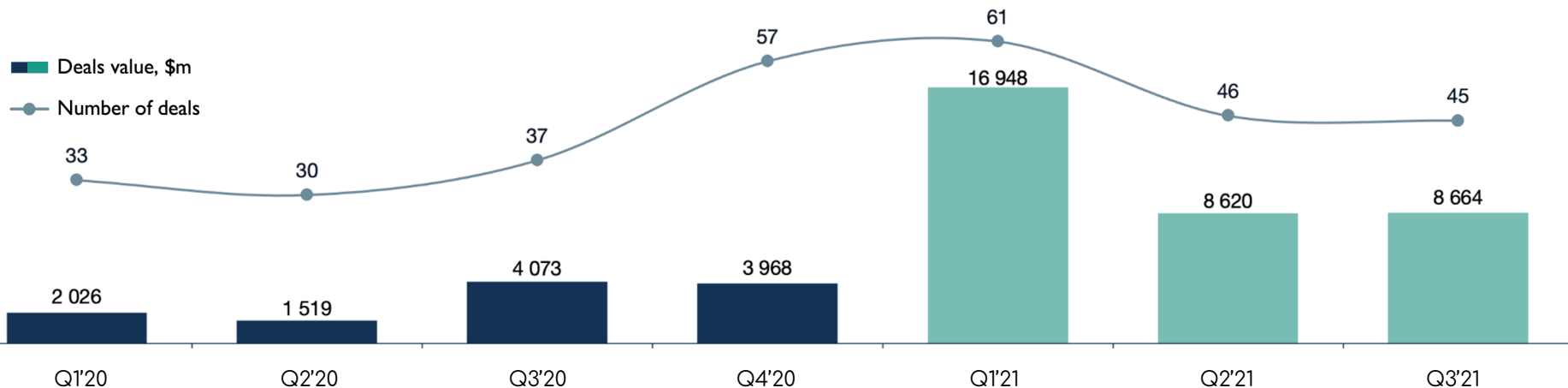
Closed Date	Target	Buyer	Size*, \$m	Platform	Status
Mar'21	ZeniMax	Microsoft	7 500	PC&console	closed
Mar'21	Moonton	ByteDance	4 000	Mobile	closed
Apr'21	Gearbox	Embracer	1 378	PC&console	closed
Apr'21	Glu Mobile	EA	2 100	Mobile	closed
Sep'21	Playdemic	EA	1 400	Mobile	closed
-	SpinX	Netmarble	2190	Mobile	announced

Note: (*) deal size includes earn-out considerations

Gaming: Exits Activity

- The cumulative deal value for Q1-Q3'21 is **\$34B across 152 deals**, compared to 'just' \$7.6B across 100 deals in Q1-Q3'20, presenting a **shattering 4.5x growth YoY** in deal value
- We saw **an increase** in deal value and almost same number of gaming exits*, with \$8.7B (45 closed deals) in Q3 against \$16.9B (61 deals) and \$8.6B (46 deals) in Q1 and Q2 respectively; while one might see the downward trend as a somewhat anticipated market correction, there are plenty of pending deals slated to be closed in Q4, so **expect it to be a prolific one**
- The biggest exit of Q3 is the twice postponed **Krafton IPO** (\$3.75B), followed by **Playdemic acquisition by EA** (\$1.4B), and the **Reworks – Playtika** deal (\$600m)
- Gaming Q3'21 had a decrease in the number of public exits with 3 transactions vs 4 in Q3'20, which may partially reflect recent changes in the investors' mood after the booming 2020

Exits* in the Gaming Sector



Note: (*) Exits include M&As, direct listings, SPACs, and IPOs

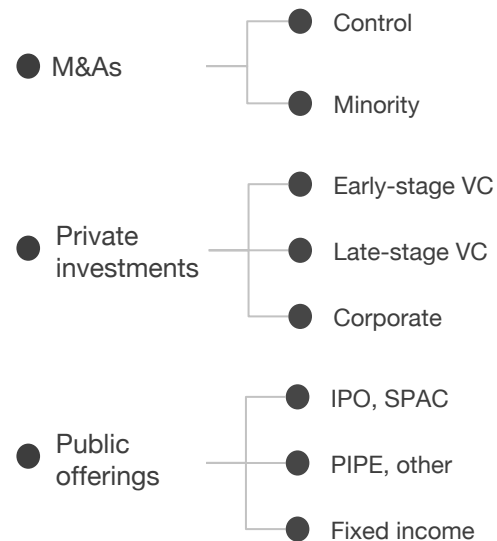
Appendix

Methodology & Glossary

InvestGame tracks closed transactions (unless otherwise noted) in the Video Games industry with target-companies having core business operations related to the video games market. Please note that we do not track pure gambling and betting companies. All deals values are given in U.S. dollars or converted to U.S. dollars at the prevailing spot rate from the closing date of transaction.

The private data contained in this report is based on information from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Sources include public media, our business partners, data provider S&P Capital IQ, and market insights. The information, opinions, estimates, and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate.

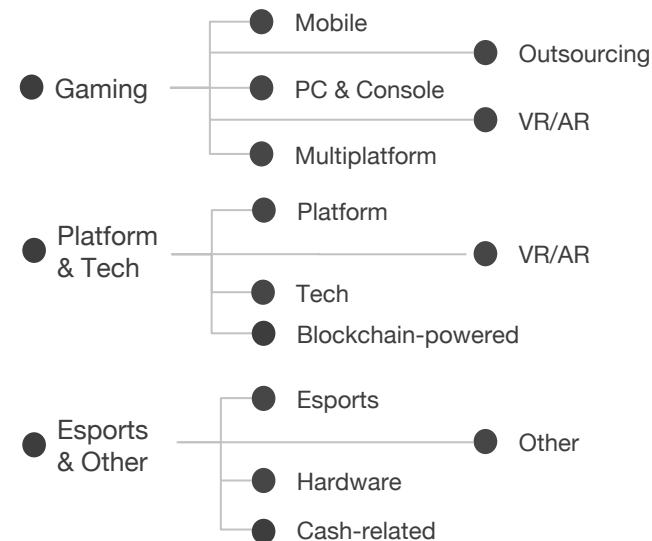
Deal Types Overview



Deal Type Terms Glossary

- **Control M&As** — mergers and acquisitions resulting in the change of control (50%+ ownership)
- **Minority M&As** — sale of a minority stake in the business
- **Early-stage VC** — pre-seed, seed, and Series A rounds with lead VC fund
- **Late-stage VC** — Series B, Series C, and later-lettered venture rounds
- **Corporate Investments** — investment with a lead investor being corporation
- **IPOs** — the process of company going public including IPOs, SPACs, and direct listings
- **Fixed-income** — debt-related instrument with fixed payments and interest payments
- **PIPE, other** — private investment in public equity, direct share issue, and other transactions with publicly traded stock

Target's Sector Overview



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