

Gaming Industry Report

Q1 2023



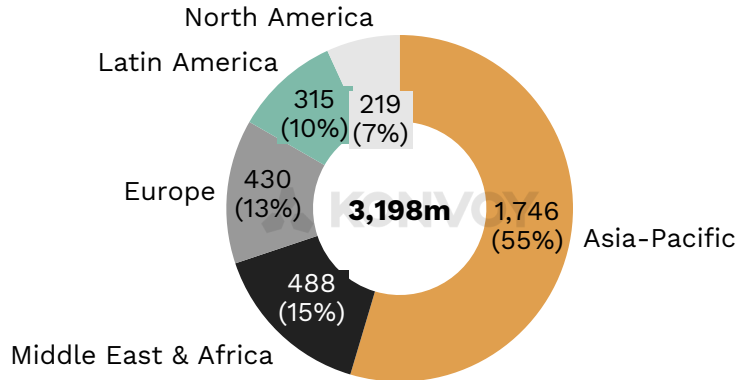
Gaming: at a glance

- **2023 market size:** \$201b (+9% YoY)
- **Public markets:** up 10-20% YTD
- **Venture funding in Q1 '23:** \$761m across 109 rounds (funding is +29% QoQ)

Key Trends

- Artificial Intelligence in Gaming
- Regulation update: M&A finalization, TikTok ban
- Epic opens up EGS publishing: Going head-to-head with Steam
- Epic brings UGC to its 70m Fortnite MAUs
- Google's shift to cloud services
- Roblox successfully ages up

Total gamers in 2022 by region:



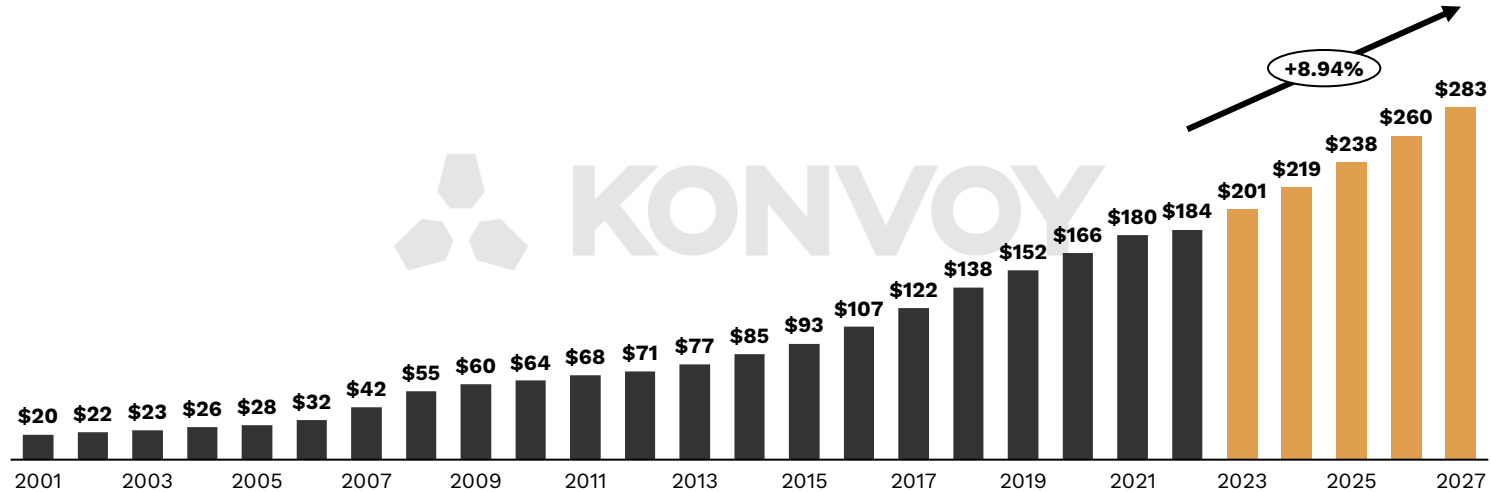
Source: CB Insights, Newzoo, Sony, Microsoft, Nintendo, public reporting, Drake Star



Gaming was a \$184b global market in 2022 and estimated to reach \$201b in 2023

\$ in billions

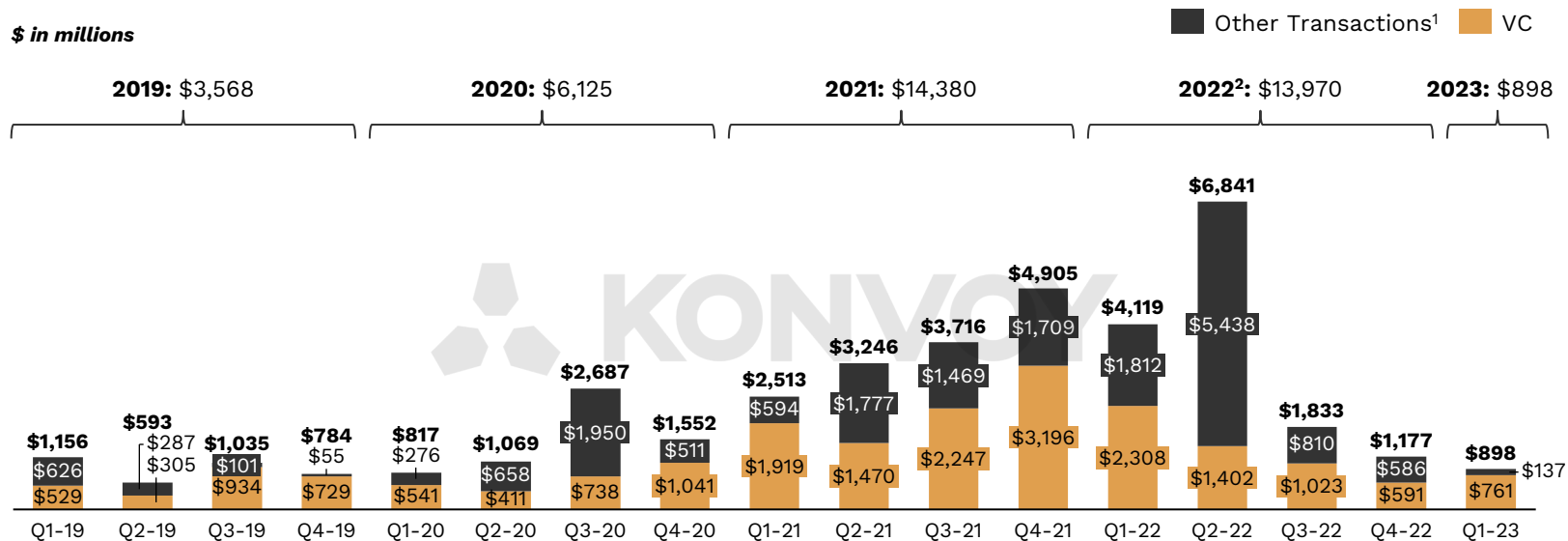
Actual Projected



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



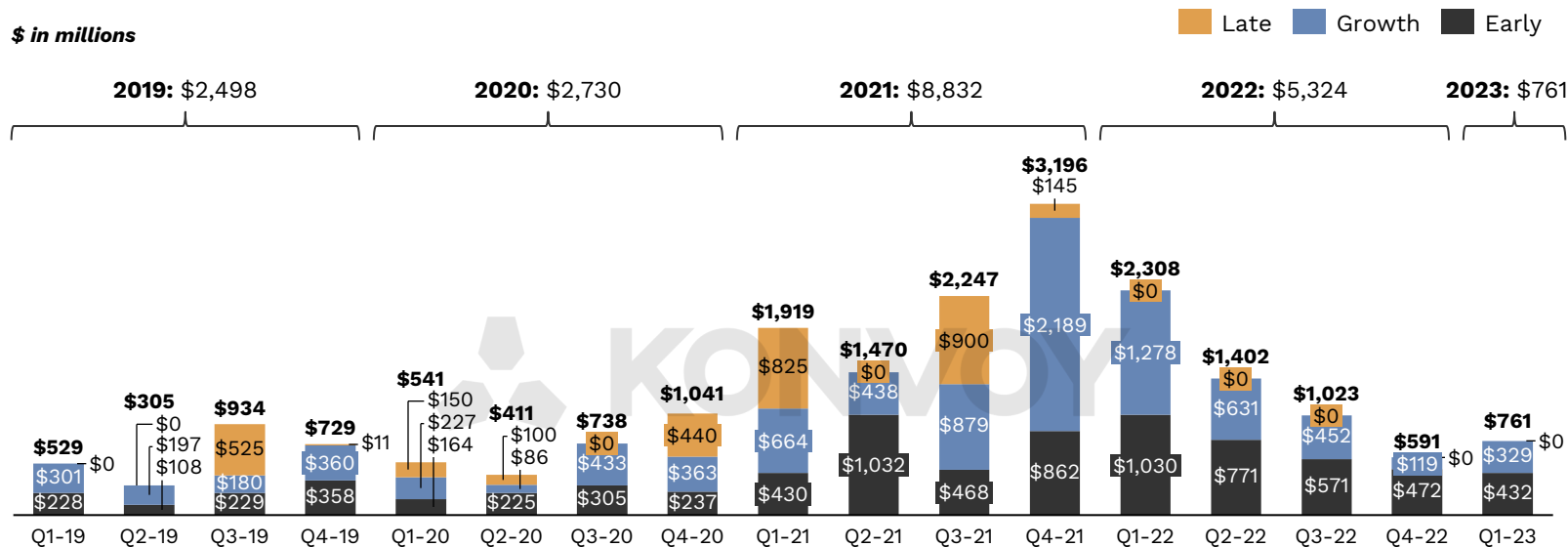
Gaming funding: private markets overview



1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: 2022 data includes ~\$4.4b in PIPE activity, primarily from large investments into Playtika, Embracer, Nexon, and NCSOFT; Note 1: VC includes Pre-Seed through Series I VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



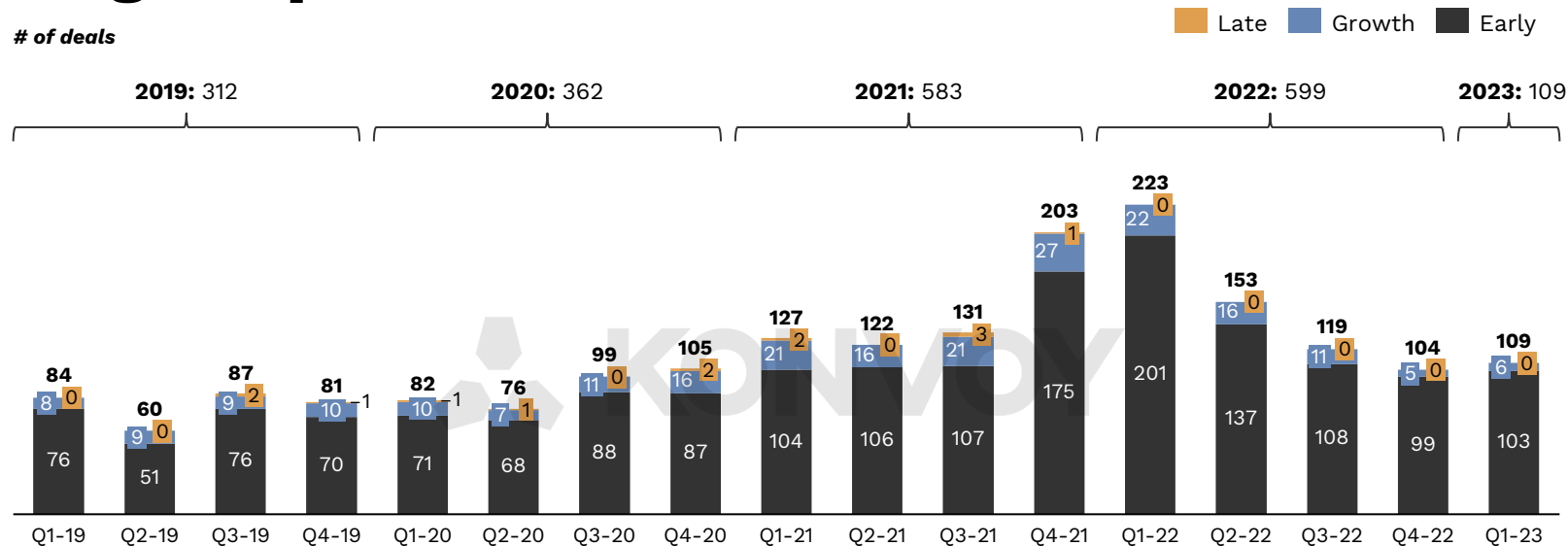
Gaming VC funding: Returning to pre-2021 levels



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; Note 3: CCP in Q1-23 (\$40m) is classified as a Series B (unattributed publicly), Believer is classified as two Series A rounds (not tagged as gaming in source); Source: CB Insights



Gaming VC deals: early-stage is vibrant, late stage is quiet

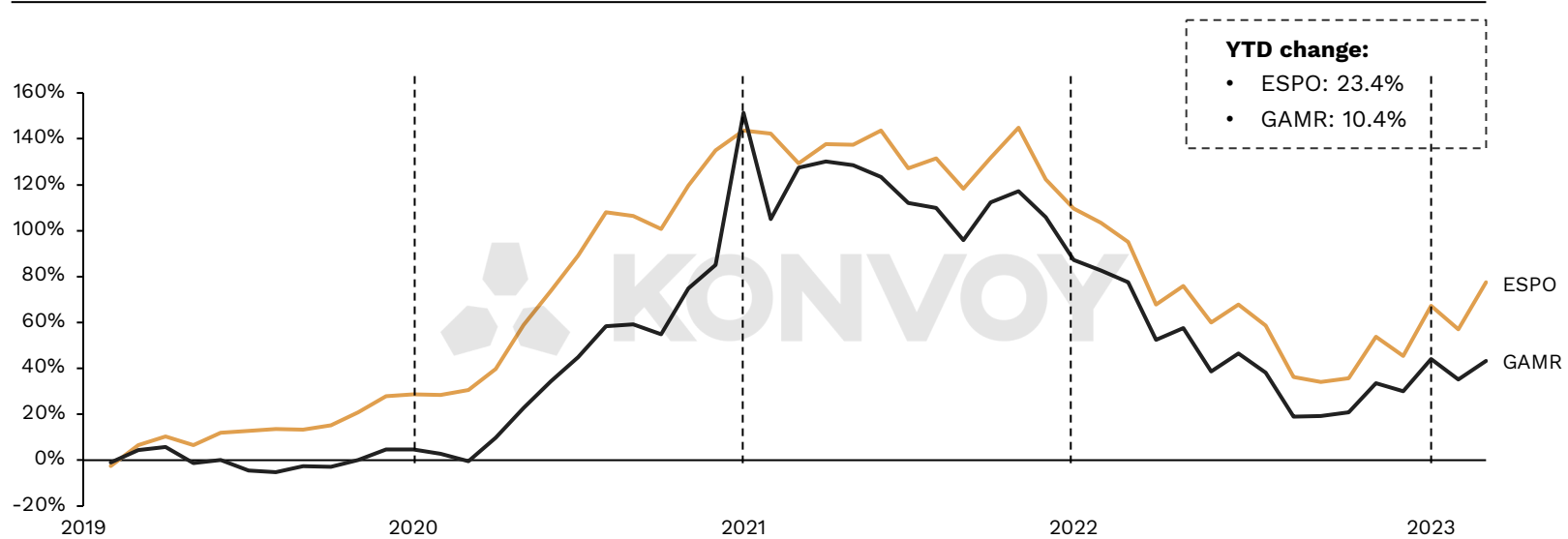


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Gaming in the public markets: up 10-23% YTD

Stock performance of Gaming ETFs: ESPO & GAMR, % change from January 2019










Source: Public reporting as of April 11, 2023; Note: ESPO seeks to track the MVIS Global Video Gaming and eSports Index (MVESPOTR), GAMR seeks to track EEFund Video Game Tech Index









Public gaming companies hold \$48b in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
 Nintendo	\$9.7b
 Activision	\$7.1b
 sea	\$6.0b
 网易 NETEASE www.163.com	\$3.6b
 NEXON	\$3.1b
 ROBLOX	\$3.0b
 EA Electronic Arts	\$2.2b
Others¹	\$13.0b
Total	\$47.7b

Tech companies with Gaming divisions









Company	Cash & equivalents ² (USD)
 amazon	\$53.9b
 Tencent 腾讯	\$22.8b
 Google	\$21.9b
 Apple	\$20.5b
 Microsoft	\$15.6b
 Meta	\$14.7b
SONY	\$9.7b
NETFLIX	\$5.1b
Total	\$164.3b

1: Bandai Namco, Ubisoft, Konami, Unity, Square Enix, Sega, Applovin, Take Two, Playtika, Embracer, Krafton, NCSOFT; 2: Does not include short-term investments; Source: Latest public reporting (as of April 11, 2023)



Q1 2023: Largest game content VC deals

Game content investments – Q1 2023











Company	Stage	Raise, \$m	Region
 CCP Games	Series B	\$40.0	Europe
	Series A	\$55.0 ¹	North America
	Seed	\$21.0	North America
Kratos Studios	Seed	\$20.0	Asia
	Seed	\$20.0	North America
 *	Series B	\$15.0	North America
MiAO	Seed	\$14.4	Asia
	Seed	\$13.0	North America
	Seed	\$10.1	Europe
	Seed	\$10.0	North America

1: Source classifies Believer funding as two Series A rounds, one in Q4 '22 (\$25m) and one in Q1 '23 (\$30m) – deal is reflected as such in all other slides. In this slide, both are aggregated here to be shown as one Series A round in Q1 2023; * denotes Konvoy portfolio companies; Source: CB Insights



Q1 2023: Largest gaming tech & platform VC deals

Gaming Tech & Platform investments – Q1 2023

Company	Stage	Raise, \$m	Region
 VSPD	Series C	\$265.0	Asia
 PLAI LABS <small><PLAY WITH AI></small>	Seed	\$32.0	North America
 Carry1st *	Series A	\$27.0	Africa
 ILLUMIX	Series A	\$18.0	North America
 Guardz	Seed	\$10.0	North America
 createra	Series A	\$10.0	Asia
 Bayes ESPORTS	Series A	\$9.6	Europe
 ACADARENA	Series A	\$7.5	Asia
 Champions Round	Series A	\$7.0	North America
 GENPOP	Seed	\$6.5	North America

* denotes Konvoy portfolio companies; Source: CB Insights

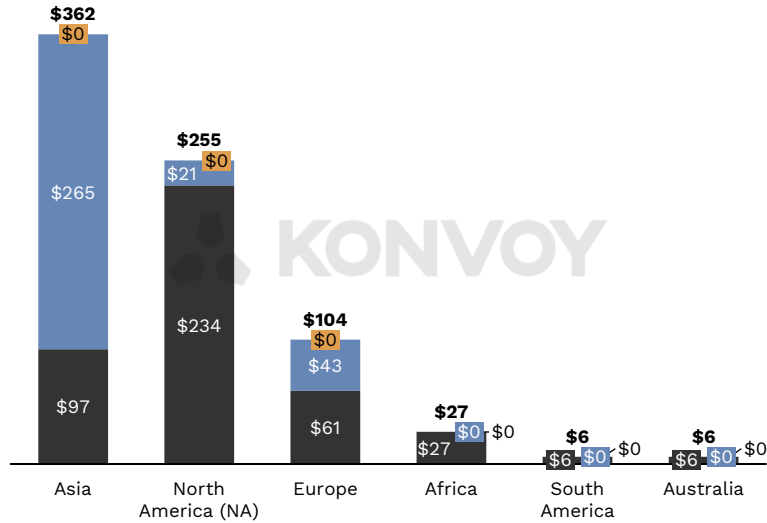


Regional Breakdown

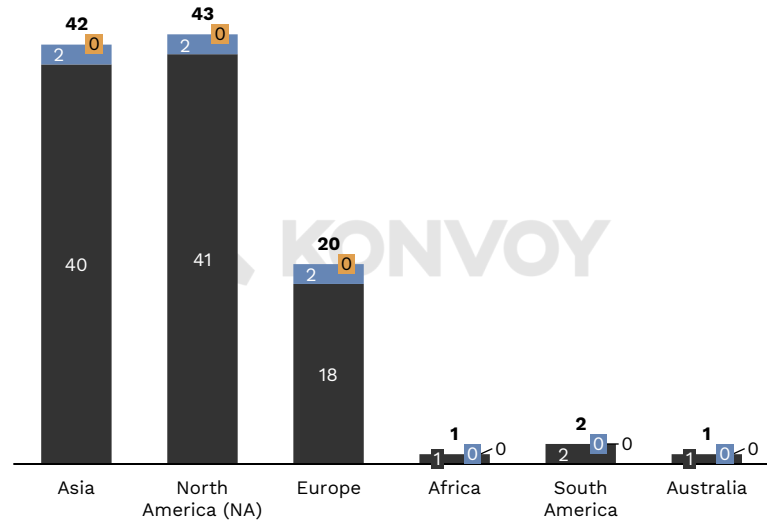


Gaming deals globally: at a glance

Gaming venture funding in Q1 2023, \$m



Number of gaming venture deals in Q1 2023

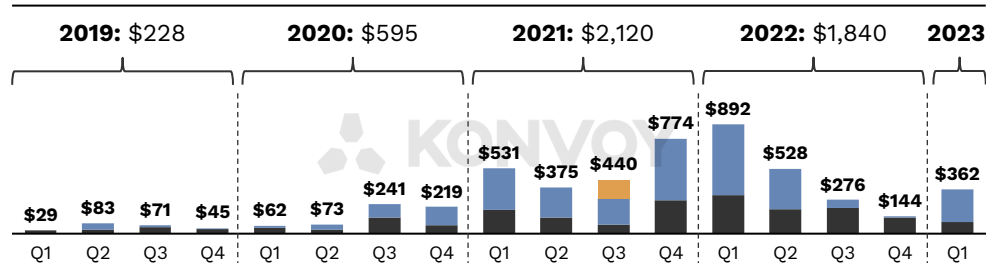


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Asia: received most venture funding globally in Q1

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

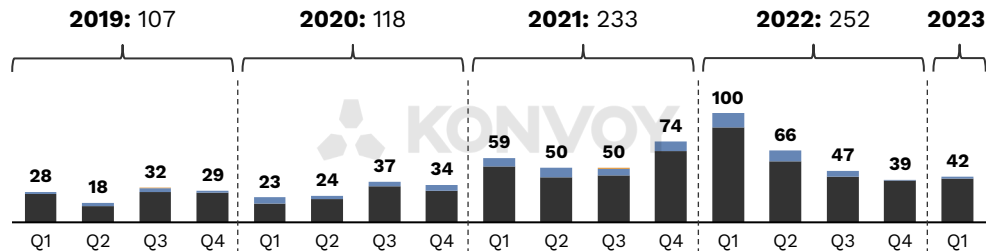


■ Early ■ Growth ■ Late



Largest gaming venture deals in Q1 2023

Number of gaming venture deals from Q1 2019 through Q1 2023



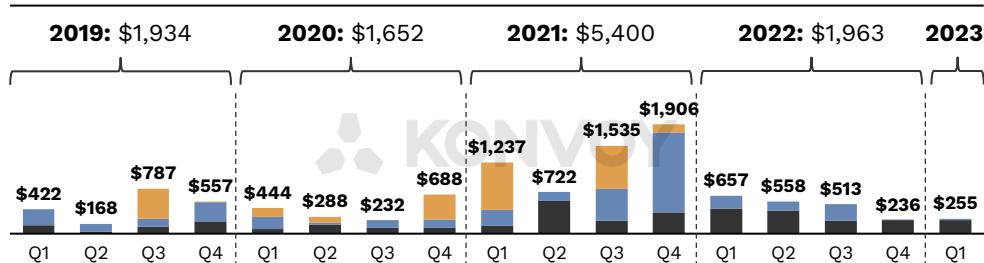
Company	Date	Deal size
VSPD	Feb-23	\$265.0m
Kratos Studios	Feb-23	\$20.0m
MiAO	Mar-23	\$14.4m
createrra	Jan-23	\$10.0m
ACADARENA	Jan-23	\$7.5m

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



NA: similar quantity (but smaller) deals vs Asia

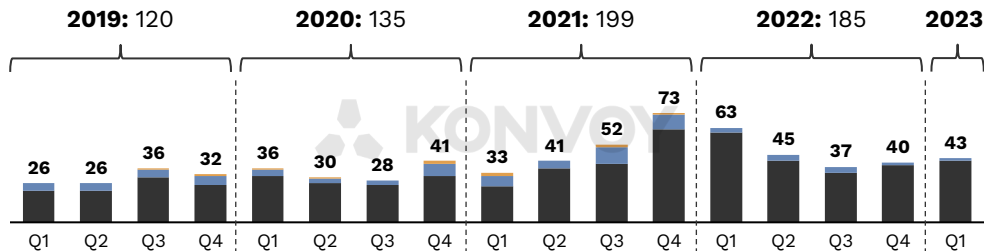
Gaming venture funding from Q1 2019 through Q1 2023, \$m



■ Early ■ Growth ■ Late



Number of gaming venture deals from Q1 2019 through Q1 2023



Largest gaming venture deals in Q1 2023

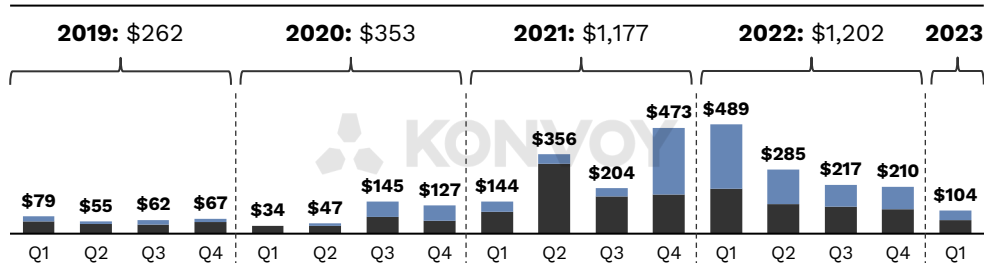
Company	Date	Deal size
PLAY LABS <small>PLAY WITH US</small>	Jan-23	\$32.0m
LITELIFE	Mar-23	\$30.0m
MATCHDAY	Mar-23	\$21.0m
G.T.B. <small>INTERNATIONAL</small>	Feb-23	\$20.0m
ILLUMIX	Mar-23	\$18.0m

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



Europe: investment activity has slowed

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

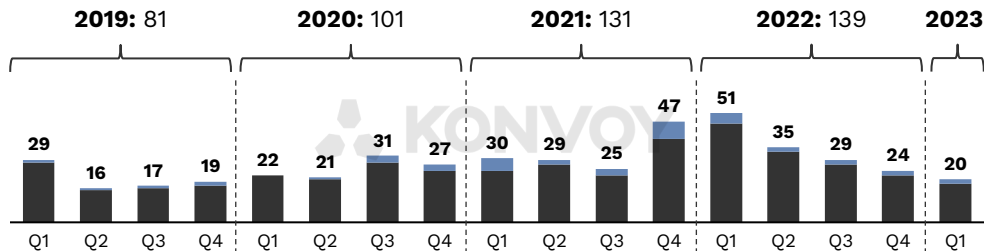


■ Early ■ Growth ■ Late



Largest gaming venture deals in Q1 2023

Number of gaming venture deals from Q1 2019 through Q1 2023



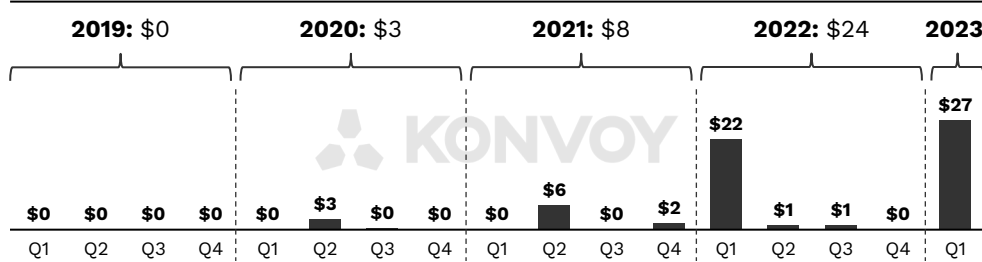
Company	Date	Deal size
CCP Games	Mar-23	\$40.0m
SEIOR	Jan-23	\$10.1m
Worldwide Webb	Feb-23	\$10.0m
Bayes Reports	Feb-23	\$9.6m
HARDBALL	Feb-23	\$5.2m

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



Africa: early yet has almost 200m gamers

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



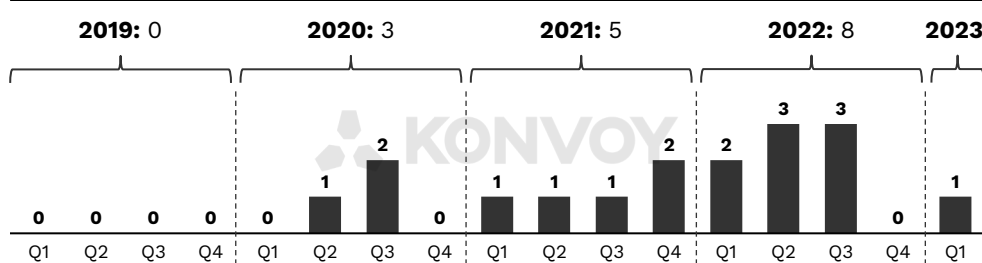
■ Early ■ Growth ■ Late



Largest gaming venture deals in Q1 2023

Company	Date	Deal size
Carry1st*	Jan-23	\$27.0m

Number of gaming venture deals from Q1 2019 through Q1 2023

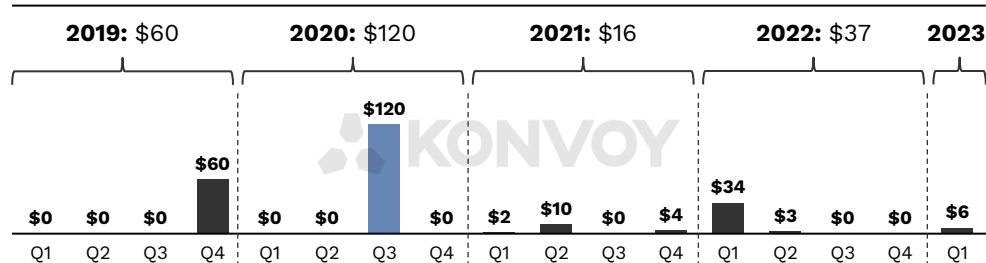


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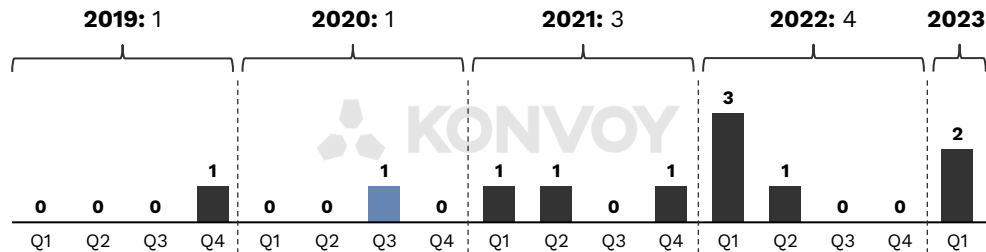


South America: first deals done since Q2-2022

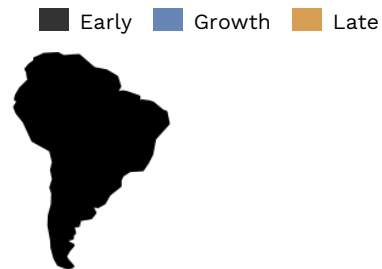
Gaming venture funding from Q1 2019 through Q1 2023, \$m





Number of gaming venture deals from Q1 2019 through Q1 2023



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



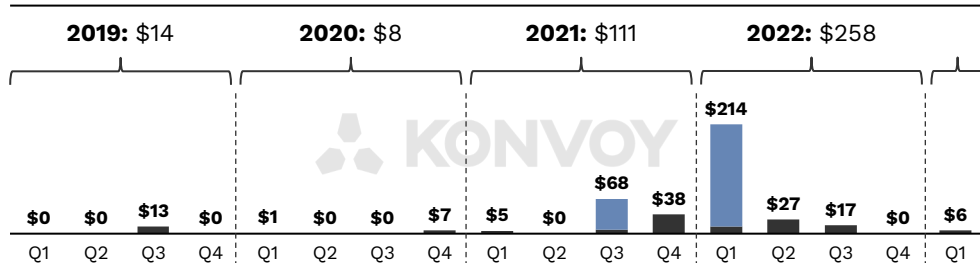
Largest gaming venture deals in Q1 2023

Company	Date	Deal size
	Mar-23	\$6.0m
	Jan-23	\$0.1m



Australia: nascent and sporadic deal activity


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



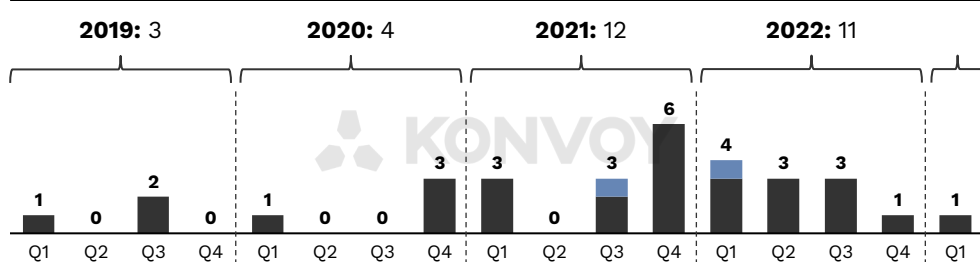
■ Early ■ Growth ■ Late



Largest gaming venture deals in Q1 2023

Company	Date	Deal size
	Jan-23	\$6.0m

Number of gaming venture deals from Q1 2019 through Q1 2023



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



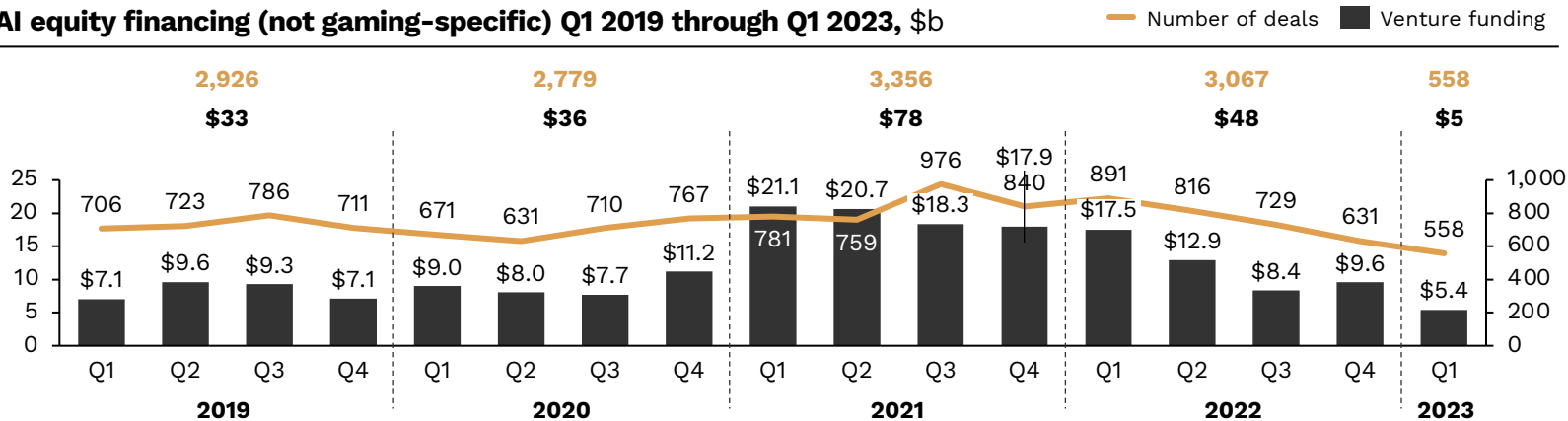
- 1 Artificial Intelligence in Gaming
- 2 Regulation update: M&A finalization, TikTok ban
- 3 Epic Games opens up Epic Games Store (EGS) publishing: Going head-to-head with Steam
- 4 Epic Games brings UGC to its 70m Fortnite MAUs
- 5 Google's shift to cloud services
- 6 Roblox successfully ages up



1 Artificial Intelligence in Gaming

AI as a trend is not a net new investment trend

AI equity financing (not gaming-specific) Q1 2019 through Q1 2023, \$b



- While AI has been a hot trend in gaming, at the macro level, it has been a hot investment trend since 2020; the spike in funding in 2021 was likely due to larger deal sizes
- Gaming has recently been the next industry to receive a wave of investment interest
- In gaming, AI investment trends over the past quarter include AI-generated assets and conversational AI



Regulation update

M&A finalization, TikTok ban



MSFT <> ATVI

- No update from the FTC
- Japan Fair Trade Commission approved the acquisition on 3/28
- The EU is likely to approve the deal, with the full verdict due by the end of April
- Sony remains committed to its attempt to block the deal outright even with a 10-year licensing deal being offered by Microsoft
- For context, Playstation still has a 70:30 global console market share



Tik Tok Privacy Concerns

- TikTok is on track to be the most adopted social platform for Gen Z
- Concerns around CCP influence may shut down access in the US, with other markets to follow
- Unclear clear how the US banning TikTok will affect gaming near term - while a popular category, content is not a product of direct marketing / advertising spend
- Banning TikTok could have future negative effects on gaming UA



Meta completes acquisition of Within

- The FTC abandoned its suit to Meta from acquiring Supernatural developer, Within
- As anticipated, the FTC did not have a strong enough reason to block the acquisition for anti-competitive reasons
- The deal closed in February 2023

Source: Microsoft, Meta, FTC, Japanese Fair Trade Commission, The Verge



3 Epic opens up Epic Games Store (EGS) publishing



- Epic's distribution strategy has historically focused on a curated games library with a particularly strong emphasis on exclusives
- In March, Epic announced that its game store (EGS) was launching self publishing tools for the first time – this is the first major competitive threat to Steam in the game distribution market since the announcement of EGS itself back in 2018
- Today, EGS has ~68m MAUs (vs Steam's 135m+ MAUs)
- EGS will not only provide developers all the tools they need to build, test, and distribute games, it will also offer a compelling fee structure of 12% (vs Steam's 30%)

Source: Epic Games, Steam, VentureBeat



4

Epic brings UGC to its 70m Fortnite MAUs

Epic sidesteps UGC “chicken-and-egg” problem by leveraging Fortnite audience



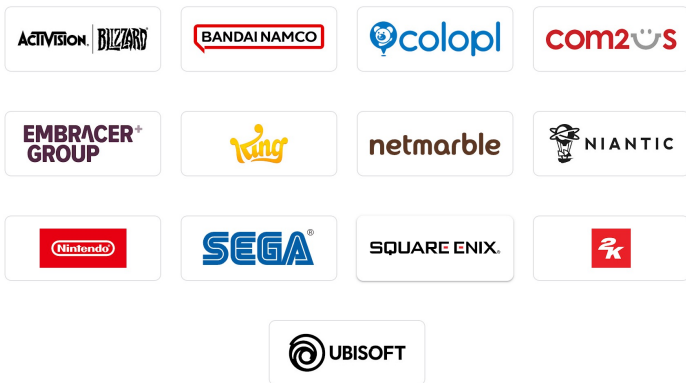
- UGC has received a lot of attention over the past 5 years (Roblox), with clear benefits - by outsourcing development to a passionate player base, platforms are able to more efficiently scale their content library
- However, one of UGC’s core challenges is overcoming the “chicken-and-egg” problem, where a lack of players reduces creators’ willingness to build new experiences, while a lack of compelling gameplay disincentivizes players to come utilize the platform
- Epic is able to solve for this by integrating directly with Fortnite, one of the most popular games of all time
- To capture the attention of prospective builders, Epic has pledged 40% of Fortnite’s net revenue to creators

Source: Epic Games



5 Google's shift to cloud services

Google Stadia officially shut down in January 2023



Google Cloud gaming customers

- Google launched its latest gaming initiative through Google Cloud: Google Cloud for Live Games
- This shift from owning the medium to owning the infrastructure is a better fit to leverage the Google Cloud infrastructure
- There are 3 primary levers for this strategy:
 - **Serve players everywhere:** helps developers connect players with game servers built on the world's largest, most secure network
 - **Collect and organize game data:** easily store critical game and player data at scale with extremely low latency
 - **Unlock player and game insights:** helps developers understand what's working to find and retain players with Google's analytics and AI

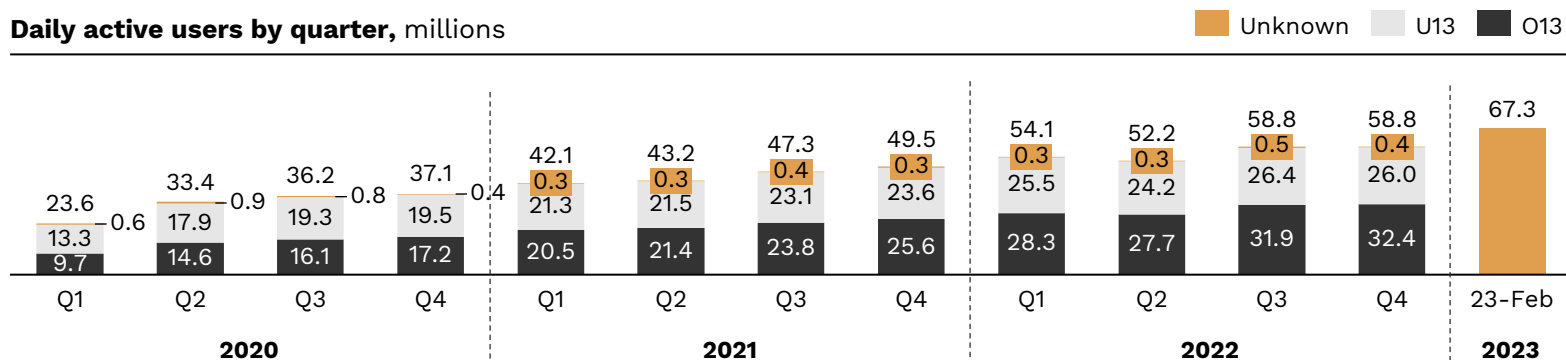
Source: Google Cloud



6 Roblox aging up successfully

22% increase in daily active users YoY

Daily active users by quarter, millions



- Since Roblox announced they were expanding support for their over-13 age demographic, Roblox has seen a consistent increase in both daily active users (DAUs) and revenue
- In February, Roblox reported that they had 67.3m DAUs (+14% increase since Q4 2022, +22% increase YoY; there has also been a ~20% increase in concurrent users in Q1 2023 vs Q4 2022)
- While a demographic breakdown for Q1 is still unreleased, we anticipate that the increase in activity is due to the over-13 age demographic

Source: Public reporting, Romonitor



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
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 2023 (TBA)	Gaming, Media
Slush*	Helsinki, Finland	November 30 - December 1, 2023	Gaming, Technology

* denotes events our team at Konvoy plans to attend



Konvoy: Summary + Team



Konvoy: by the numbers

\$252m

Assets under management (AUM)

37

Portfolio companies

2

New investments in Q1 '23



3

Funds

38%

Of all funds invested outside of NA

2

Deals led in Q1 '23

Our top newsletters published in Q1 2023:

1. [The Good and Bad of Free-To-Play](#)
2. [All Eyes on MENA](#)
3. [Will AI Kill UGC?](#)
4. [Brands Loosen Your Gr-IP](#)
5. [Future of Transmedia Entertainment](#)



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





Left to right: Philip Collins, Dani Tran, Taylor Hurst, Jason Chapman, Jackson Vaughan, Dhinuka Perera, Josh Chapman

[Link to our socials here](#)

Konvoy Team

