

# **Gaming Industry Report**

## **Q4 2023**



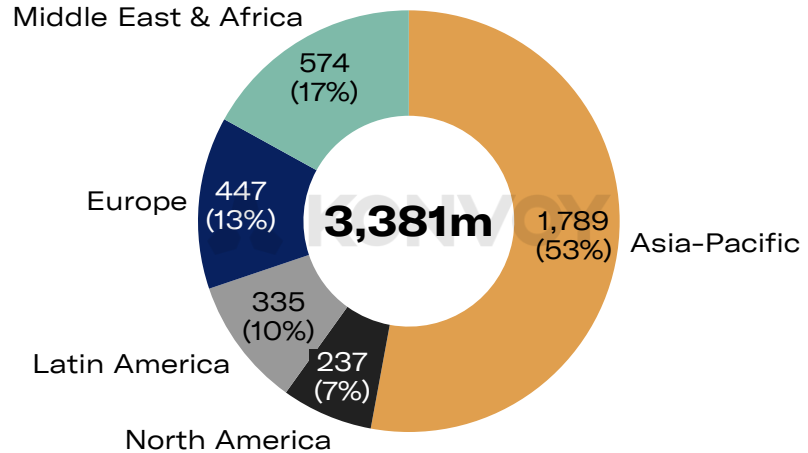
# Gaming: at a glance

- **2023 market size:** \$184b (+0.6% YoY)
- **Public markets:** leading public gaming ETFs up to 32%
- **Venture funding in Q4'23:** \$308m across 95 rounds (funding is -33% QoQ, deals are +0% QoQ)

## Key Trends

- Epic vs Google
- ByteDance is retreating from gaming
- UGC: Big names make a splash on UEFN
- Layoffs in gaming

## Total gamers in 2023 by region:

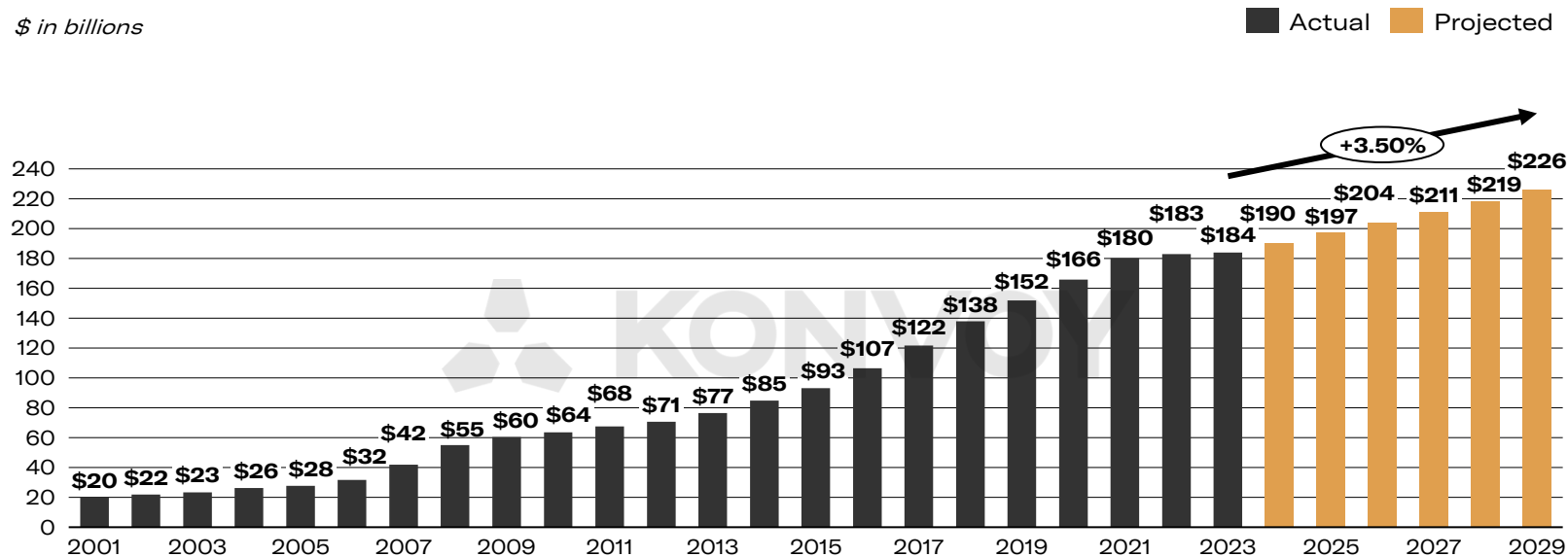


Source: CB Insights, Newzoo, Sony, Microsoft, Nintendo, public reporting, Drake Star



# Gaming is a \$184b market today with 3.5% CAGR projected through 2029

\$ in billions



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

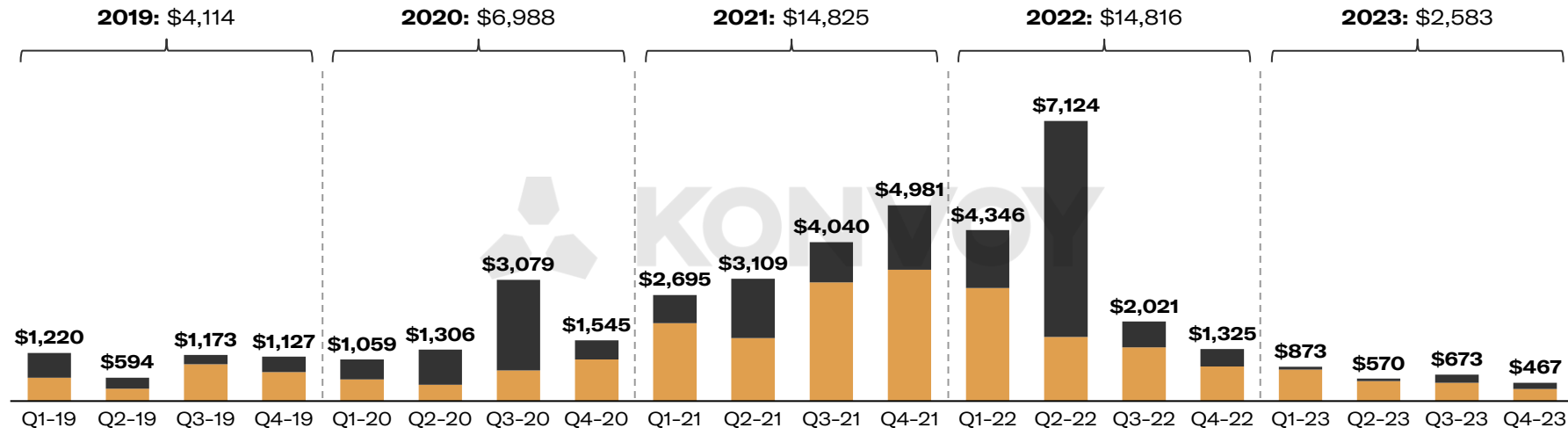


# Gaming funding: private markets overview

Investment into gaming has normalized to pre-COVID levels

\$ in millions

Other Transactions<sup>1</sup> VC<sup>2</sup>



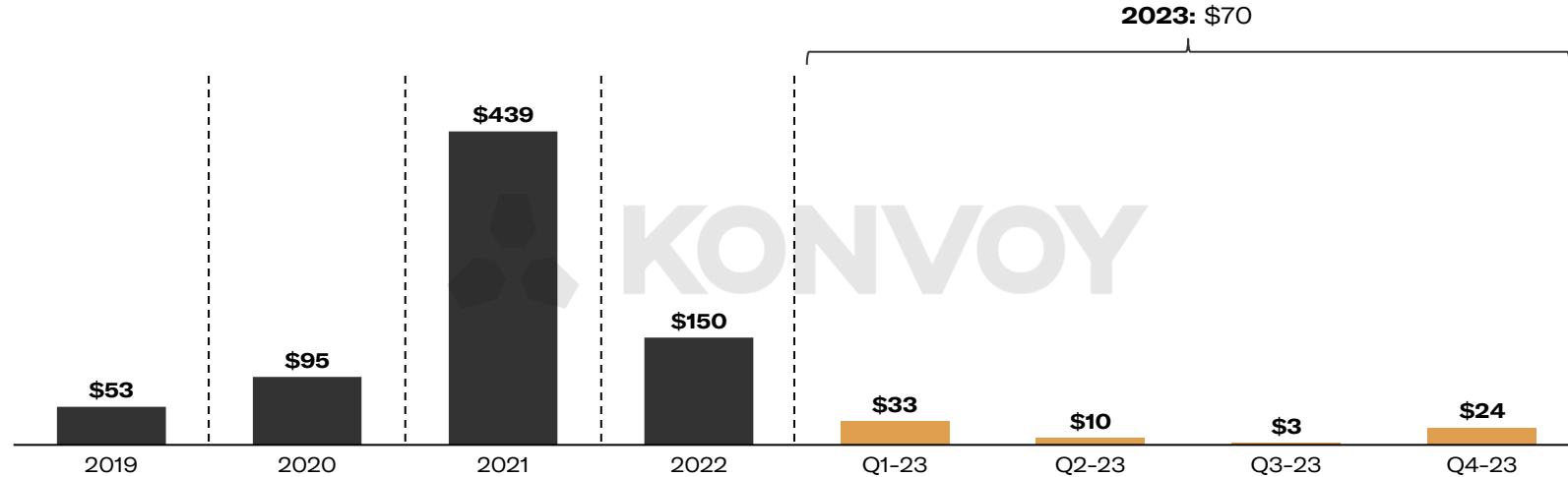
1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: VC includes Pre-Seed through Series I VC; Note: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



# Gaming debt financing overview

Debt is not a common instrument of funding in gaming

*\$ in millions*

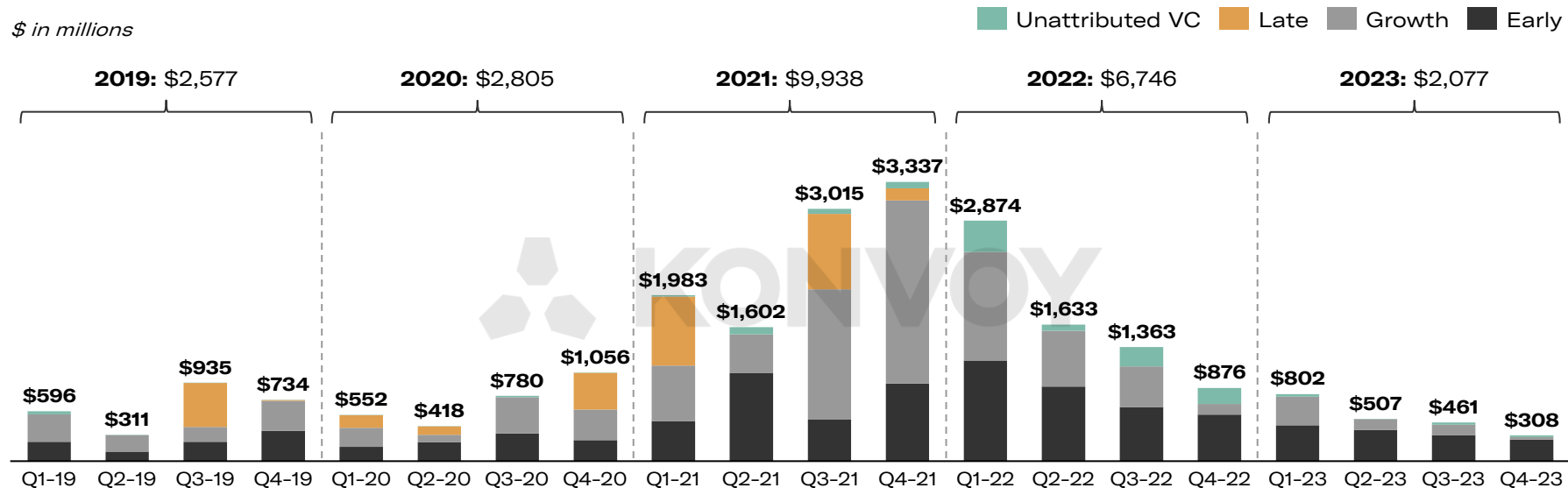


Note: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



# Gaming VC funding: \$308m (-33% QoQ)

VC funding in gaming has normalized to pre-COVID levels

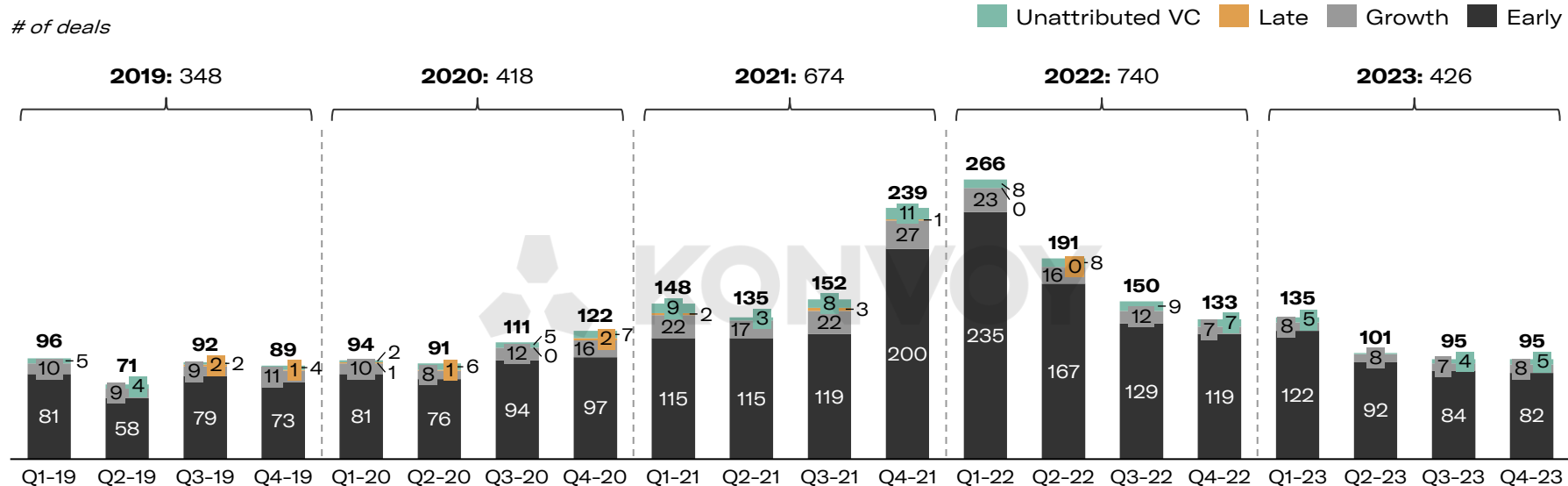


Note 1: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Note 2: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



# Gaming VC deals: 95 (flat QoQ)

Similar deal activity QoQ but less funding



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

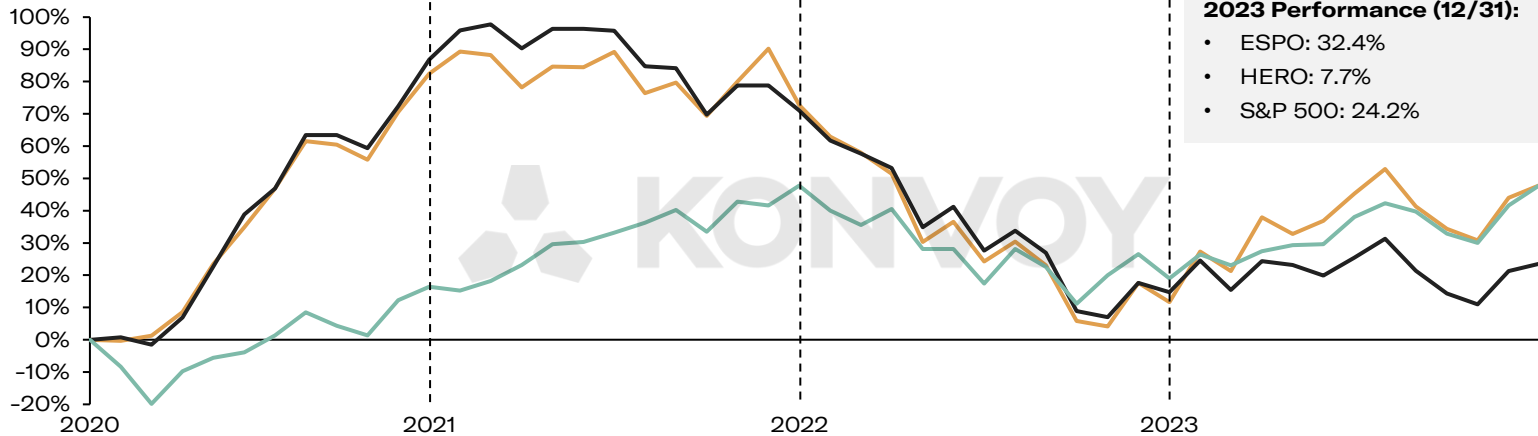


# Gaming in the public markets

Public gaming stocks this year peaked in July but had a strong EoY performance

Stock performance of Gaming ETFs, % change from January 2020

ESPO HERO S&P500









Source: Public reporting as of January 3, 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 \$33b in cash and equivalents; a healthy M&A environment

## Gaming companies

Company	Cash & equivalents <sup>2</sup> (USD)
 Nintendo	\$9.4b
 Sega	\$3.2b
<b>KRAFTON</b>	\$2.5b
 NETEASE www.163.com	\$2.1b
 Electronic Arts	\$1.9b
 NEXON	\$1.7b
 BANDAI NAMCO	\$1.6b
<b>Others<sup>1</sup></b>	\$10.4b
<b>Total</b>	<b>\$32.8b</b>

## Tech companies with Gaming divisions

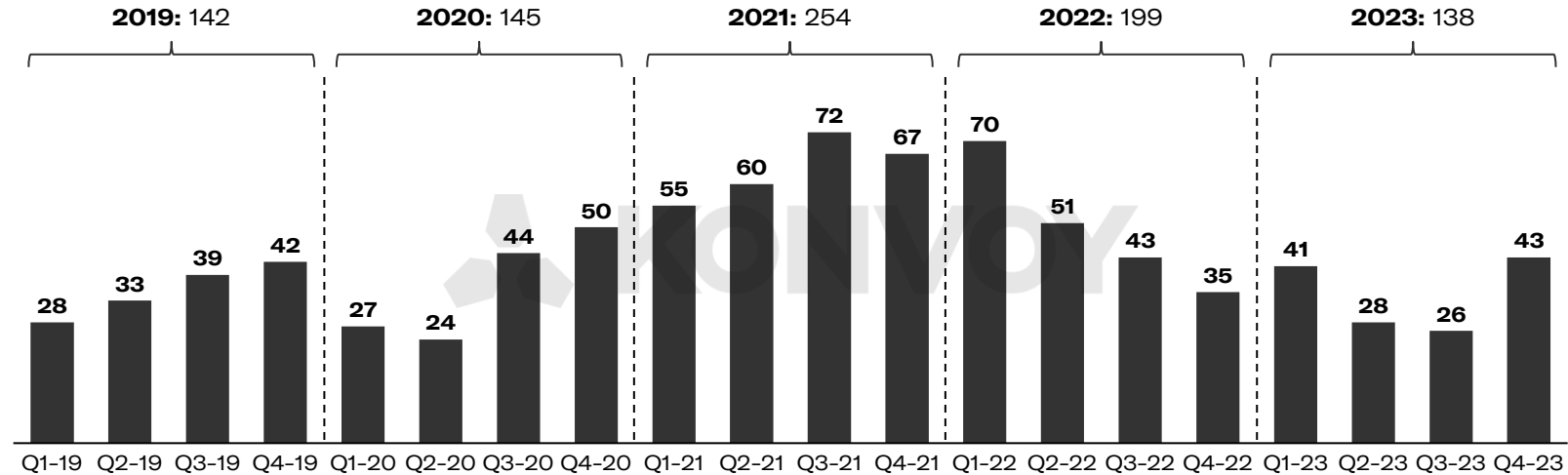
Company	Cash & equivalents <sup>2</sup> (USD)
 Microsoft	\$80.5b
 amazon	\$49.6b
 Meta	\$36.9b
 Google	\$30.7b
 Apple	\$30.0b
 Tencent 腾讯	\$20.6b
<b>SONY</b>	\$10.9b
<b>NETFLIX</b>	\$7.4b
<b>Total</b>	<b>\$266.5b</b>

1: Konami, Unity, Ubisoft, Square Enix, Sega, Playtika, TTWO, Roblox, Embracer, Applovin, NCSoft; 2: Does not include short-term investments; Note: Activision Blizzard is no longer listed under “Gaming companies” due to the finalization of the acquisition by Microsoft; Source: Latest public reporting (converted to based on historical exchange rate)



# Gaming M&A: 138 transactions in 2023

M&A activity has normalized to pre-COVID levels



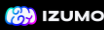









Note 1: Deals are not included in the private markets overview or the debt financing overview; Note 2: Deal transaction values are predominantly not disclosed; Note 3: Historical data across reports is subject to change, as source adds new deals as they become public; Source: CB Insights



# Largest gaming tech & platform VC deals

## Gaming tech & platform investments – Q4 2023

	Company name	Stage	Raise, \$m	Region
	Noice	Series A	\$21.0	Europe
	W4 Games	Series A	\$15.0	Europe
	AnotherBall (Izumo)	Seed	\$12.7	Asia
	Allstar	Series A	\$12.0	North America
	Forge	Seed	\$11.0	North America
	JP Universe	Series A	\$10.6	Asia
	Quest Portal	Seed	\$7.6	North America
	Ultimate Endgamers League	Seed	\$5.0	North America
	GameDriver	Seed	\$4.8	North America
	HYTOPIA	Unattributed VC	\$3.0	North America

### Comments:











- 6 of the top 10 Tech & Platform deals were into companies in North America
- The top 10 Tech & Platform funding totaled \$102.7m (+13% QoQ)
- 3 of the top 10 Tech & Platform deals were in the live streaming / clipping space (Noice, Allstar, Forge)

Source: CB Insights



# Largest game content VC deals

## Game content investments – Q4 2023

	Company name	Stage	Raise, \$m	Region	<b>Comments:</b> <ul style="list-style-type: none"> <li>• 5 of the top 10 Content deals were into companies in Asia</li> <li>• The top 10 Content deals totaled \$117.5m (-57% QoQ)</li> <li>• The funding amount for the top 10 Content and the top 10 Tech &amp; Platform deals are comparable this quarter</li> </ul>
	Neon Machine (Shrapnel)	Series A	\$20.0	North America	
	TapNation	Series A	\$16.1	Europe	
	Noodle Cat Games	Series A	\$12.0	North America	
	Animoca Brands	Unattributed VC	\$11.9	Asia	
	Clover Games	Series B	\$11.5	Asia	
	Matr1x	Series A	\$10.0	Asia	
	Farcana	Seed	\$10.0	Asia	
	Genpop Interactive	Seed	\$9.9	North America	
	Thirdverse	Series C	\$8.2	Asia	
	KEK Entertainment	Seed	\$8.0	Europe	

Source: CB Insights

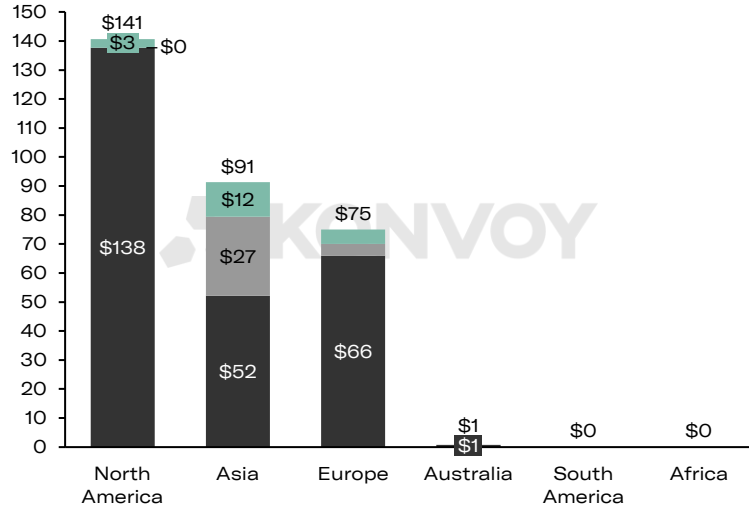


# **Regional Breakdown**

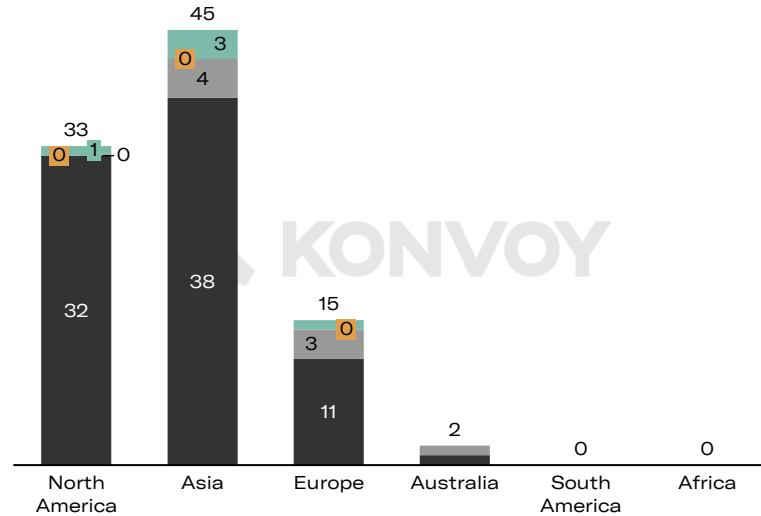


# Gaming deals globally: at a glance

Gaming venture funding in Q4 2023, \$m



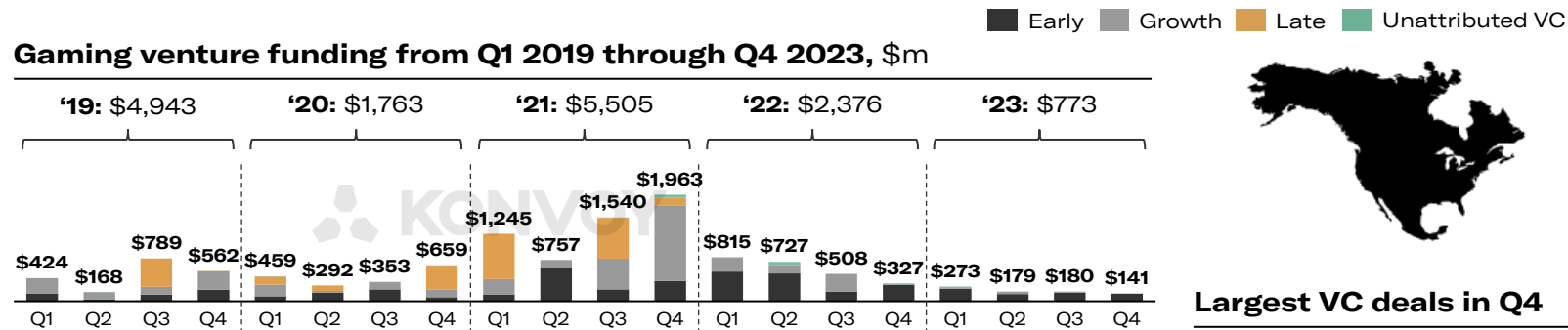
Number of gaming venture deals in Q4 2023



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



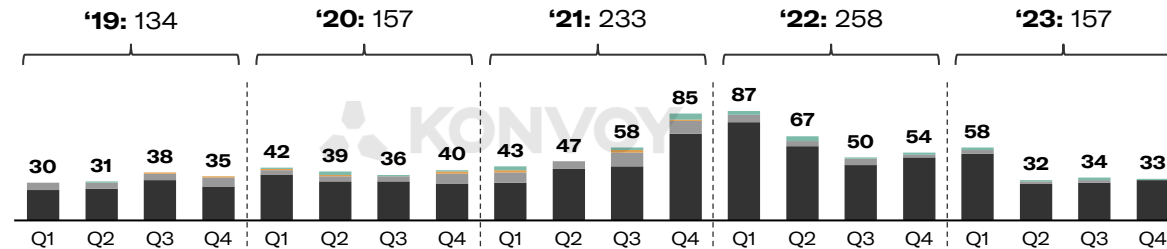
# NA: 46% of Gaming VC funding in Q4



## Largest VC deals in Q4

Company	Size
Neon Machine	\$20.0m
Allstar	\$12.0m
Noodle Cat Games	\$12.0m
Forge	\$11.0 m
Genpop Interactive	\$9.9 m
Quest Portal	\$7.6m
UEL	\$5.0m
GameDriver	\$4.8m
HYTOPIA	\$3.0m

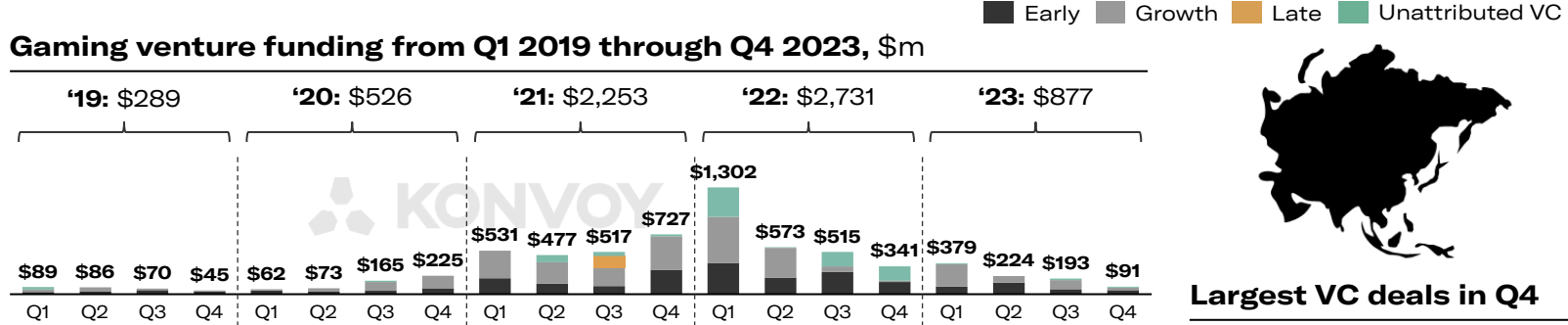
## # of gaming venture deals from Q1 2019 through Q4 2023



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



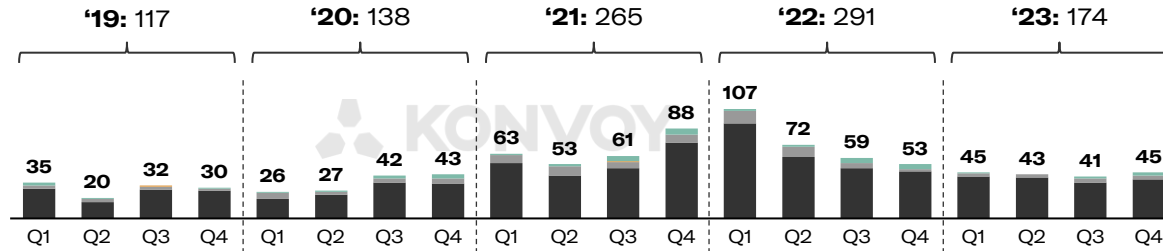
# Asia: 47% of Gaming VC deals in Q4



## Largest VC deals in Q4

Company	Size
AnotherBall	\$12.7m
Animoca Brands	\$11.9m
Clover Games	\$11.5m
JP Universe	\$10.6m
Matrix	\$10.0m
Farcana	\$10.0m
Thirdverse	\$8.2m

## # of gaming venture deals from Q1 2019 through Q4 2023



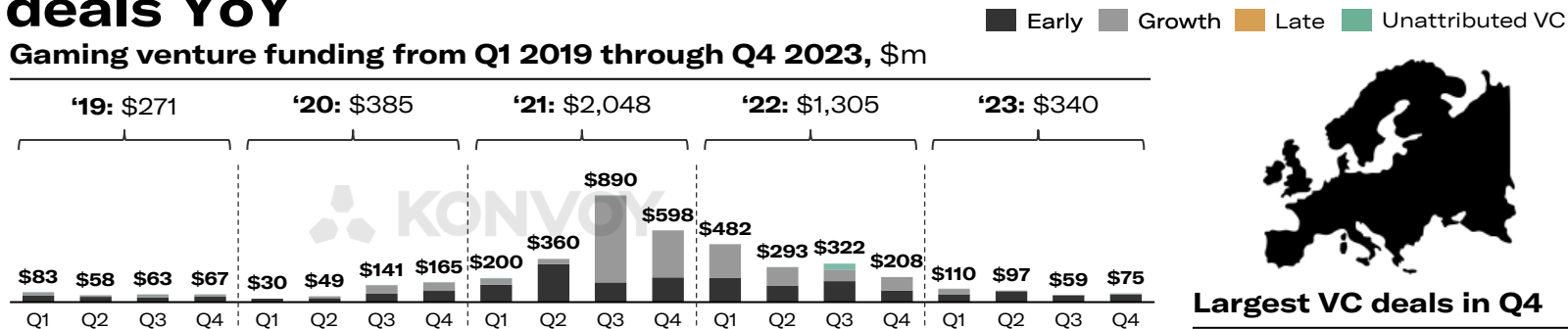
Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights





# Europe: 74% decrease in funding, 47% decrease in deals YoY

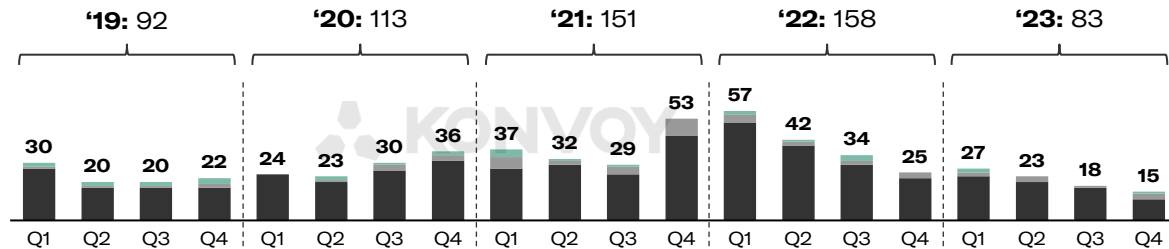
Gaming venture funding from Q1 2019 through Q4 2023, \$m



## Largest VC deals in Q4

Company	Size
Noice	\$21.0m
TapNation	\$16.1m
W4 Games	\$15.0m
KEK Entertainment	\$8.0m

## # of gaming venture deals from Q1 2019 through Q4 2023



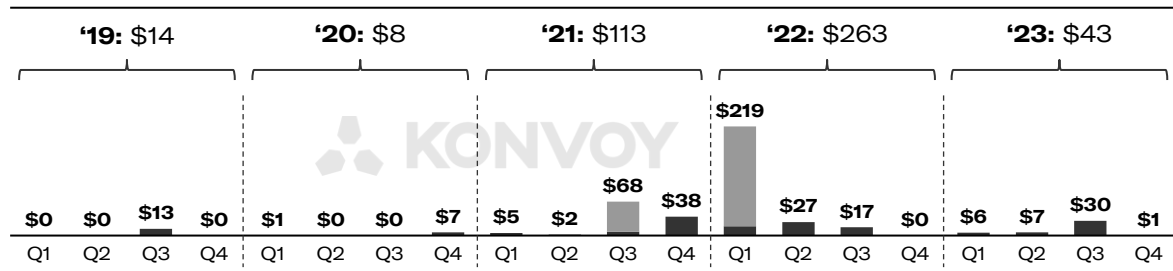
Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



# Australia: 84% decrease in funding YoY

Gaming venture funding from Q1 2019 through Q4 2023, \$m

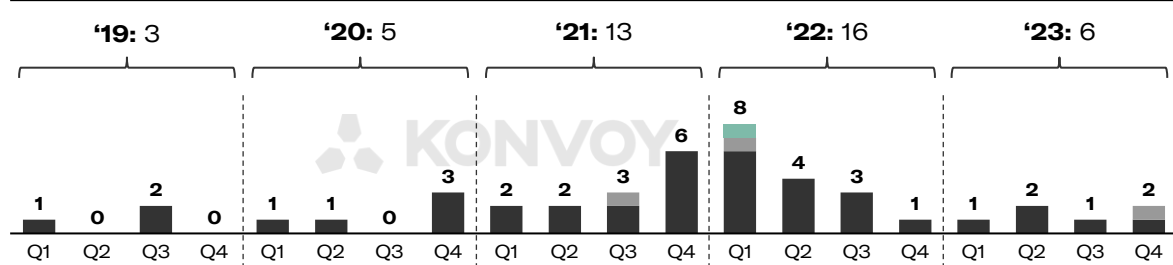
Legend: Early (Dark Grey), Growth (Light Grey), Late (Orange), Unattributed VC (Green)



## Largest VC deals in Q4

Company	Size
Space Rock Games	\$0.71m
Immutable	Unknown

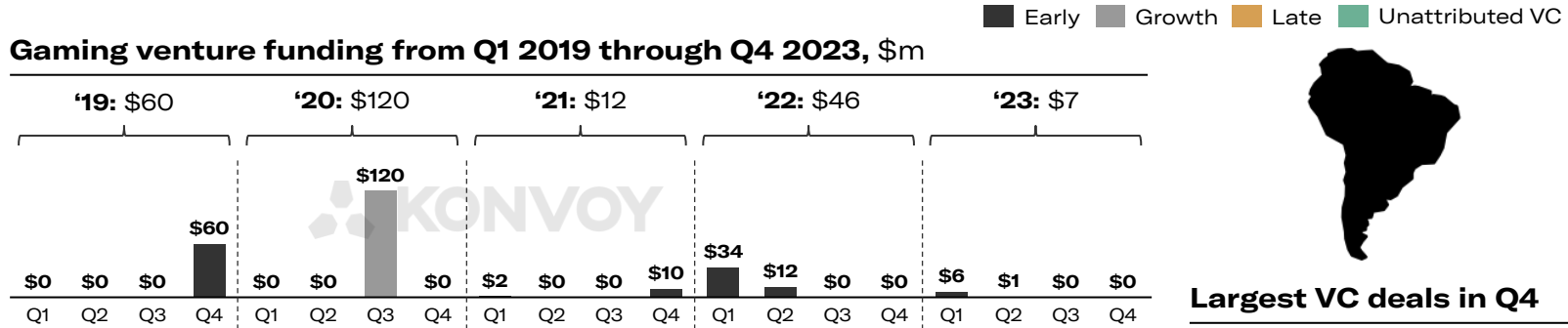
## # of gaming venture deals from Q1 2019 through Q4 2023



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



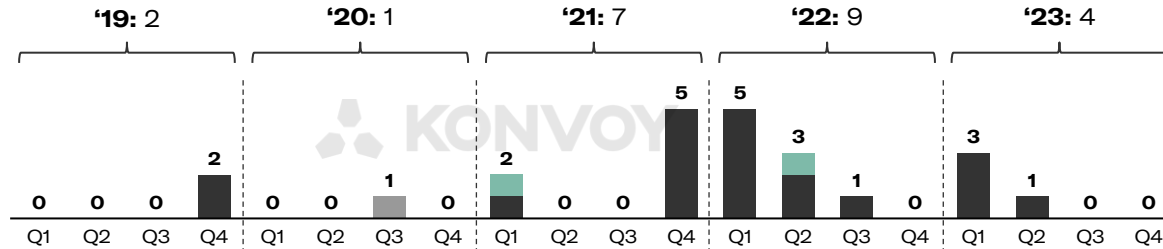
# South America: no deals done in Q4



## Largest VC deals in Q4

Company	Size
<i>No deal data available</i>	

## # of gaming venture deals from Q1 2019 through Q4 2023

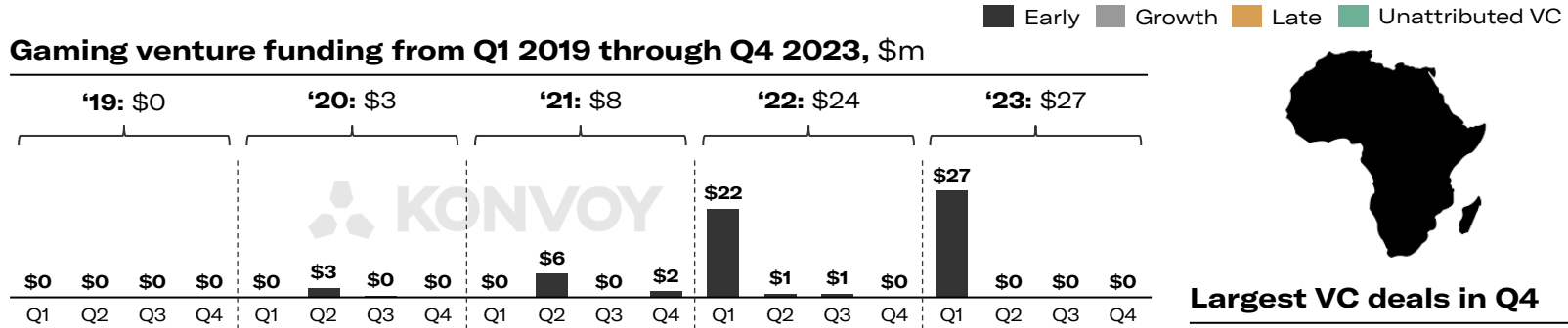


Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



# Africa: no deals done in Q4

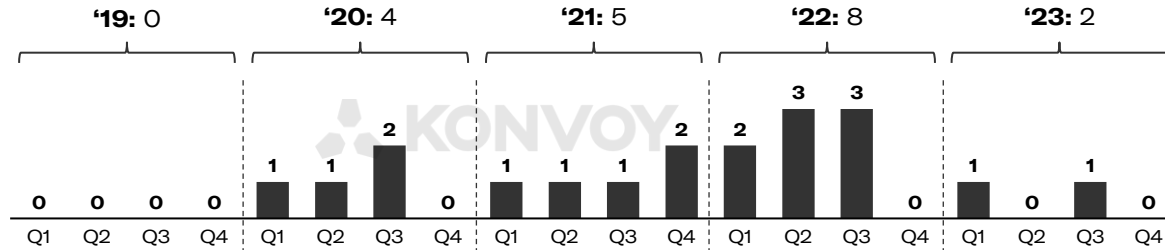
Gaming venture funding from Q1 2019 through Q4 2023, \$m



## Largest VC deals in Q4

Company	Size
<i>No deal data available</i>	

# of gaming venture deals from Q1 2019 through Q4 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 Epic vs Google
- 2 ByteDance is retreating from gaming
- 3 UGC: Big names make a splash on UEFN
- 4 Layoffs in gaming



# 1 Epic vs Google

**Background:** Epic sued Google in 2020 after a fight over in-app purchase fees, claiming the Android's Google Play store constituted an unlawful monopoly. Epic wanted Google to make using third-party app stores, sideloaded apps, and non-Google payment processors easier — while Google said these demands would damage Android's ability to offer a secure user experience and compete with Apple's iOS.

**The verdict:** The jury found that Google turned its Google Play app store and Google Play Billing service into an illegal monopoly.

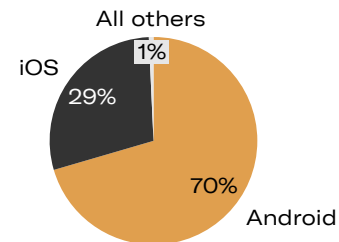
- *Distribution and payments:* Google has illegally tied their Google Play app store and payment services together
- *Deals with OEMs:* Apple owns and sells the iPhone and can therefore naturally exert more control than Google can – Google does not sell the hardware. Instead, Google has exercised this control by building the Android ecosystem and sharing a cut of advertising and app store profits if phone makers agree to prominently carry its apps (e.g., Chrome, Gmail, and Play), use its APIs, and issue timely security patches
- *App and Games Velocity Program (“Project Hug”):* Google quietly paid game developers hundreds of millions of dollars in incentives to keep their games on the Play Store

## What does this mean:

- This verdict proves Google's app store practices are illegal, and they have abused their monopoly to extract exorbitant fees and stifle competition, and in turn reduce innovation
- Google will pay \$700 million and make a handful of minor concessions in the way they run their store in the United States
- **The biggest change:** Google will need to allow developers to steer consumers away from the Google Play Store

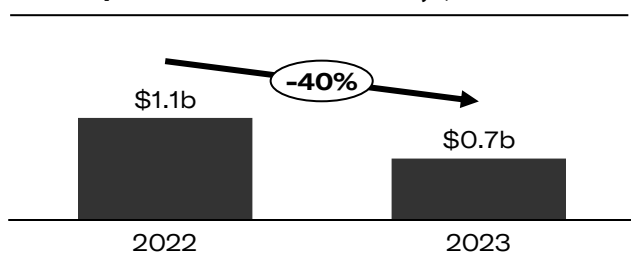
Source: The Verge

**Operating system market share (Dec 2023), %**

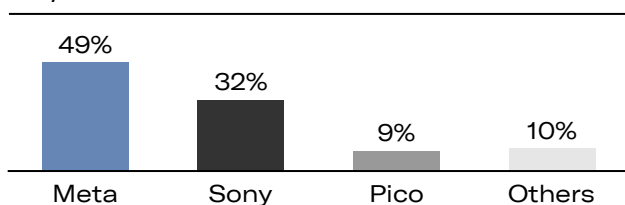


## 2 ByteDance is retreating from gaming

US AR/VR headset revenue, \$b



Global AR/VR market share (Q3 '23), by shipments



Source: TechCrunch, CNBC, Counterpoint Research, Reuters

1

**Pico (acquired in 2021) has aggressively downsized:** The rumor of the Pico division closing ended up being false; however, the division has drastically downsized. Hundreds of people have been laid off, primarily in their content division, leaving Pico with “under 2,000” people.

Even after the layoff, Pico, as it stands today, has a significantly bigger headcount than the team of 200-300 when it was acquired. This means that the aggressive 10x expansion over the past 2 years was significantly halted but not entirely stopped.

2

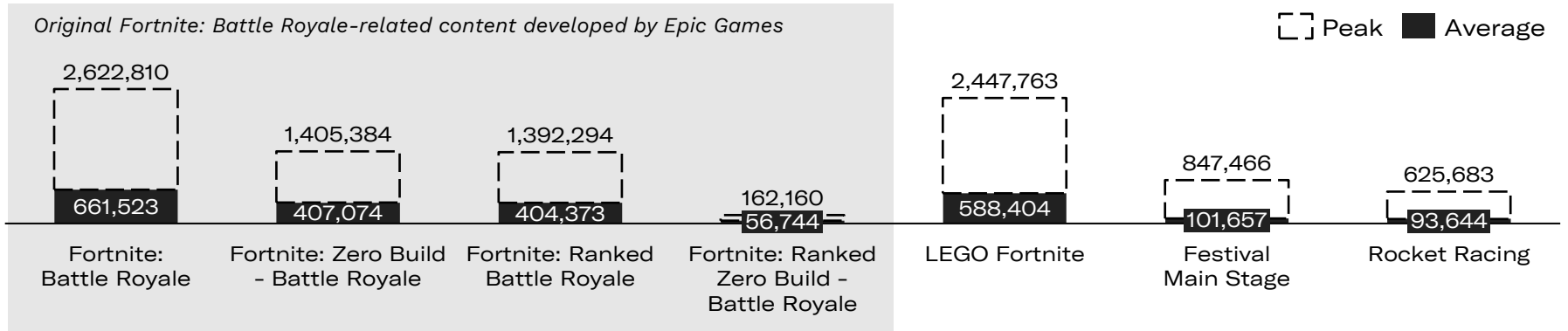
**Nuverse is winding down:** ByteDance has shut down all unreleased titles and are selling their existing titles such as “Crystal of Atlan,” an anime-style multiplayer game, and “Earth: Revival,” a sci-fi survival quest. They are also seeking a buyer for Moonton (Mobile Legends: Bang Bang).



### 3 UGC: Big names make a splash on UEFN

**Background:** In Dec 2023, Epic unveiled Fortnite: Fortnite Festival, Rocket Racing, and LEGO Fortnite. All 3 of these experiences were built in partnership. Fortnite Festival was built by Harmonix (Rock Band) and Rocket Racing was developed by Psyonix (LEGO Fortnite is the only experience where the studio behind it was unannounced).

#### Average and peak concurrent users by experience on UEFN (Dec 2023)



**What does this mean?:** This was Epic's big splash onto the UGC scene in 2023. In addition to the developers with official partnerships with Epic, we are seeing an increasing number of UEFN-dedicated studios kick off development for the platform this year.

Source: Epic Games, Fortnite.gg





## 4 Layoffs in gaming

**Background:** Gaming was hit hard by layoffs, with an estimated 10,500 people in the industry losing their jobs. This is a 24% increase from 2022, ~8,500 layoffs. While these occurred across the industry, some of the largest and most recognizable names include Unity, Amazon Games, Riot, Embracer Group, Activision, EA, Ubisoft, and Epic Games.

### Major reasons for these layoffs at this scale:

- 1. Gaming is an engagement-based industry:** With an array of entertainment options vying for limited user time, games that failed to capture sustained engagement likely faced budget cuts and staff reductions. This fight for 'eyeballs' forces companies to make tough decisions, prioritizing resources towards projects with the highest retention and monetization, cutting those that cannot compete.
- 2. Economic downturn:** In the new environment of increased interest rates, companies are forced to focus on what they are best at. Because money is less free-flowing, projects with the highest ROI are prioritized while less profitable projects are shut down.
- 3. New technologies + increasing trend of efficiency:** While AI has been a key focus of 2023, the idea of being able to “do more with less” has been an ongoing trend in gaming and is expected to continue as developer tools become more and more powerful.
- 4. M&A:** M&A this year (e.g., Microsoft <> Activision Blizzard), led to a consolidation of assets and streamlining of operations, which often results in layoffs.



Source: videogamelayoffs.com



# Top gaming industry conferences / events

## 2024 events schedule

Event	Location	Dates	Category
Pocket Gamer Connects*	Multiple	Multiple	Gaming
Design, Innovate, Communicate, Entertain (DICE) Summit*	Las Vegas, NV	February 13-15, 2024	Gaming
South by Southwest (SXSW)*	Austin, TX	March 10-19, 2024	Gaming, Media, Technology
Game Developers Conference (GDC)*	San Francisco, CA	March 18-22, 2024	Gaming
GamesBeat Summit 2024	Los Angeles, CA	May, 2024	Gaming
Augmented World Expo (AWE)*	Santa Clara, CA	May 31 - June 2, 2024	Gaming, Technology
Gamescom Latam (Prev: BIG)	São Paulo, Brazil	June 26-30, 2024	Gaming, Media
Siggraph*	Los Angeles, CA	July 28 - August 1, 2024	Gaming, Media, Technology
Gamescom Germany*	Cologne, Germany	August 21-25, 2024	Gaming
Tokyo Game Show	Tokyo, Japan	September 26-29, 2024	Gaming
Web Summit	Lisbon, Portugal	November 11-14, 2024	Gaming, Technology
Slush*	Helsinki, Finland	November 20-21, 2024	Gaming, Technology

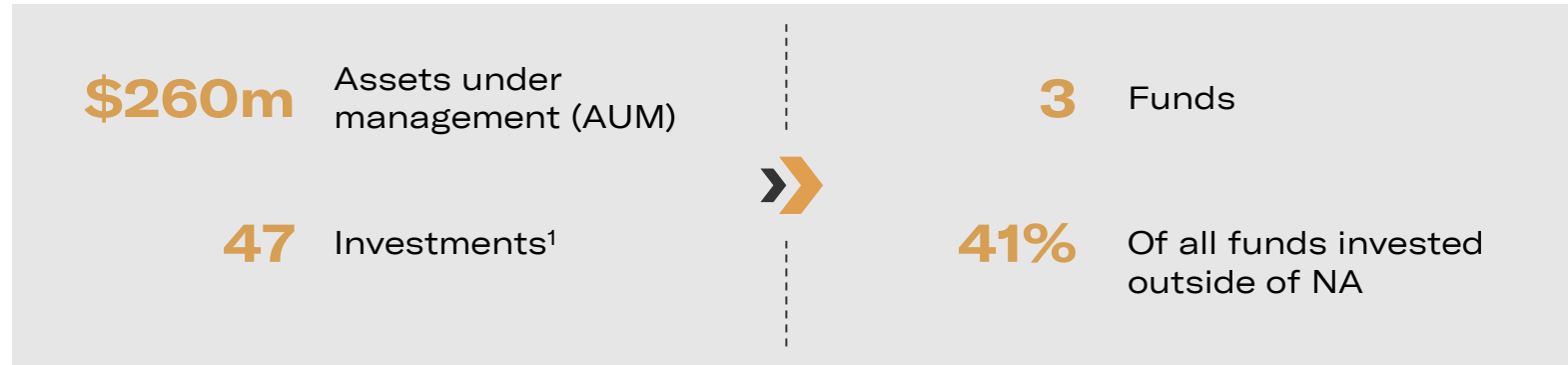
\* denotes events our team at Konvoy plans to attend



## Konvoy: Overview and Team



# Konvoy: by the numbers



Our top newsletters published in Q4 2023:

1. [Revenue Per Gamer \(\\$59\)](#)
2. [The Complexity Of Game Engines](#)
3. [Unlocking Role-Play For The Masses](#)
4. [Playable Ads + Cloud Gaming](#)
5. [The Rise and Challenges of Free-to-Play Models](#)

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

