



Gaming Industry Update

KPMG Corporate Finance LLC
June 2023 Sector Update



KPMG Corporate Finance LLC (KPMG CF): Table of Contents

Table of Contents

1 Gaming Sector Update

2 KPMG CF: Gaming Team

3 Gaming Landscape Overview

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Joe is a senior member of the Digital Media practice at KPMG CF in the US serving clients in the Digital Media, Gaming, AI, and Marketing Technology sectors with a focus on M&A advisory, capital formation, and corporate strategy for high growth technology companies. Joe's financial services experiences range from advising executives at Citi Global Markets to advising public technology companies on M&A and capital raising activities as an investment banker at Wells Fargo Securities. Joe also has an extensive operating background at Warner Bros. Entertainment and at two Kleiner Perkins backed technology companies, where he led corporate development.

Joe received his B.A. from The Johns Hopkins University, graduating with honors, and earned his JD and MBA from the University of Virginia's School of Law and Darden School of Business.



Gaming Sector Update



Gaming: Sector Update

Key Themes: Games Development

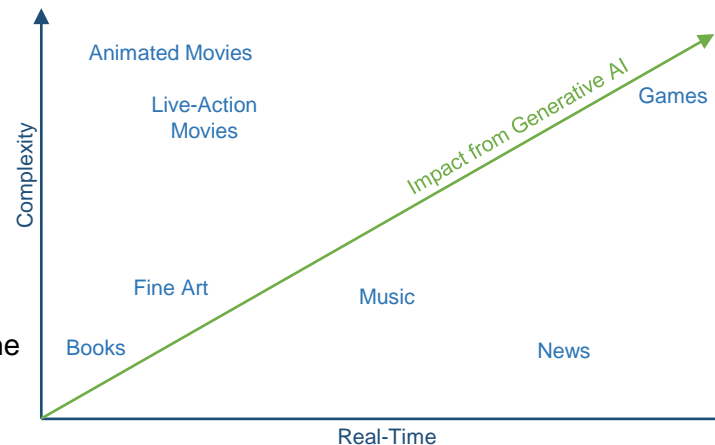
- *“I think we’ve been seeing seminal moments over the last couple of weeks and months kind of continuously ... every day there’s new releases that are paradigm shifting and kind of reveal new applications and perhaps concepts structurally that we didn’t really have a good grasp of before some demonstration came across. Chat GPT was kind of the seed of that and all of this evolution since has really changed the landscape for really how we think about our interaction with the digital world and where the digital world can go and how it can interact with the physical world. It’s just really profound. I think I saw with some of the applications with Auto GPT were these almost like autonomous characters in a game simulation that could interact with each other or these autonomous characters that would speak back and forth to one another where each instance has its own kind of predefined role and then it explores some set of discovery or application or prompt back and forth with the other agent and that ... reveals an entirely new paradigm for you know how things can be done simulation wise” – David Friedberg (CEO & Partner at The Production Board), All-In Podcast, Ep. 124, 4/14/2023*
- Generative AI has rapidly progressed from writing essays, creating pictures, and music to assisting game development studios in tasks that range from producing scripts and scenes to key elements in game design such as characters, vehicles and weapons. *“There is probably no game that we’re not thinking about some use cases for generative AI,”* said Marija Radulovic-Nastic, chief technology officer of creative and development at Electronic Arts. Previously time-consuming tasks, such as writing the first draft for background character chatter, is being streamlined by tools such as Ubisoft’s Ghostwriter.

Key Themes: AI Micro Studios

- *“I don’t understand why you would have a forty or fifty-person company to try to get to an MVP. I think you can do that with three or four people, and that has huge implications then to the second actor in this play, which are the investors... So for me personally, I am looking at capital formation being done in a totally different way. And our capital allocation model is totally wrong sized. Look fund four or me was one billion dollars. Does that make sense? For the next three or four years, no the right number may actually be fifty million dollars invested.” – Chamath Palihapitiya (Founder & CEO at Social Capital), All-In Podcast, Ep. 124, 4/14/2023*
- Independent studios leveraging generative AI are predicted to be able to accomplish far more with a tight budget. Investors such as a16z also predict that commercial games that will generate significant success are now possible with only one or two employees, which will in turn drive an increase in the number of new games per year.

M&A Spotlight

- On April 5, 2023, Savvy Games Group, a games and eSports company announced an agreement to acquire the mobile game studio Scopely for \$4.9 billion. Savvy Games Group CEO Brian Ward noted that *“Scopely is one of the fastest-growing games companies today, and we have long admired their ability to build loyal, engaged player communities.”* Scopely has developed and published multiple hit game titles such as *“Star Trek™ Fleet Command,” “Stumble Guys,” “Scrabble® Go,”* and other titles with a core competency around mobile platforms.
- Microsoft’s \$69 billion acquisition of Activision, announced in January 2022, is now expected to be approved by EU antitrust regulators in May 2023 after Microsoft agreed to licensing deals with cloud streaming rivals such as Nvidia. This development comes after the UK competition authority blocked the deal in April 2023, over concerns it would hinder competition in cloud gaming. Microsoft’s President Brad Smith is hitting back, saying that the decision is *“bad for Britain.”*



Sources: A16z Games, All-In Podcast, Bloomberg, Company filings, Polygon, The Wall Street Journal



KPMG CF: Gaming Team



KPMG's Global Platform

KPMG Corporate Finance Credentials - Most Active Middle-Market Advisor Globally²

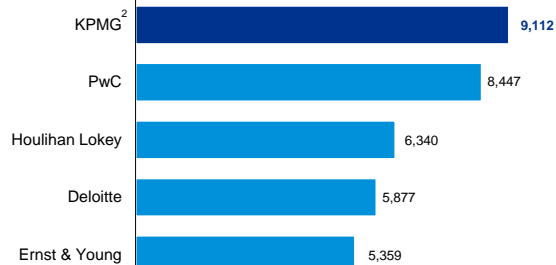
KPMG
by the numbers

2,500+
Global KPMG CF
Professionals

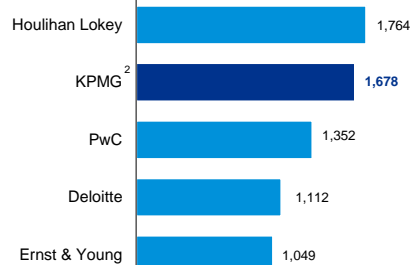
200+
Global KPMG Technology
Investment Bankers

4,500+
M&A Transactions
Closed since 2011

Worldwide Financial Advisor Rankings¹ Over Past 20 Years



Worldwide TMT Financial Advisor Rankings¹ Over Past 20 Years



Gaming Investment Banking Team



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Global Senior Technology M&A Team²

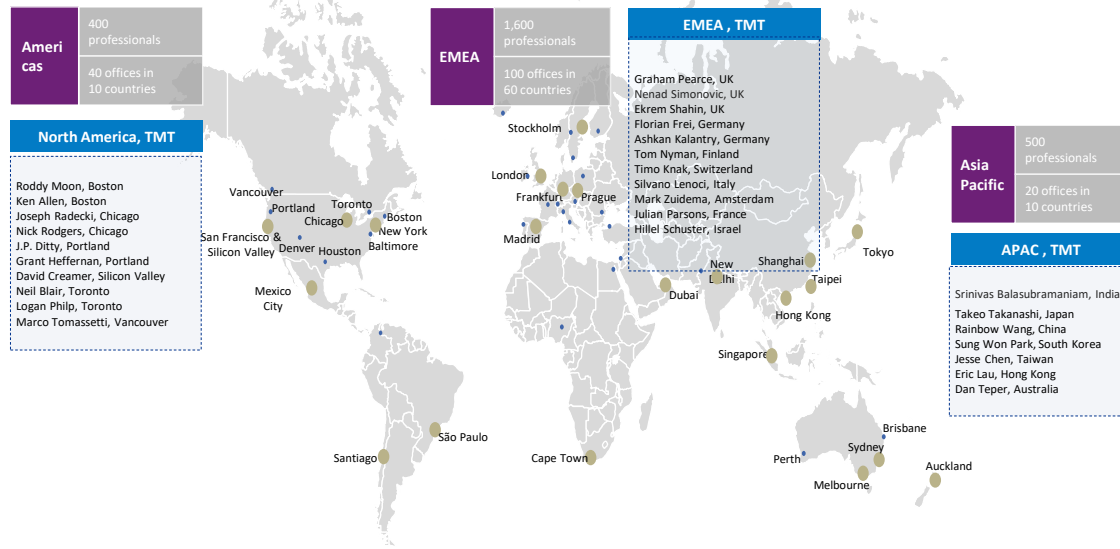
1,000+ Cross-Border
Transactions
in Past 5 Years

215,000+
Global KPMG
Professionals

200+ Global
KPMG Technology
Bankers

160+
Offices

80+
Countries



KPMG Corporate Finance LLC Representative Transactions

KPMG

ENGINE MEDIA

has merged with

GAMESQUARE

KPMG

PLAYAWAY*
PRE-LOADED PRODUCTS

a subsidiary of

Spotify

has been acquired by

Penguin Random House

KPMG

CapturingReality.com

KPMG's CF team
M&A advisor to
CapturingReality on its
sale to Epic Games

EPIC GAMES

KPMG

nDreams

KPMG's CF team
M&A advisor to
nDreams on its
investment from Aonic

ACTIVISION

KPMG

HOthead

KPMG's CF team
M&A advisor to
Hothead on the sale
of two IP to DECA

EMBRACER GROUP

KPMG

Outright Games

KPMG's CF team
M&A advisor to
Outright Games on its
sale from Rockpool
Investments

EMK Capital

KPMG

SCANLINEvfx

KPMG's CF team
M&A advisor to
Scanline VFX on its sale
to Netflix

NETFLIX

KPMG

FINGER FOOD

KPMG's CF team
M&A advisor to Finger
Food Studios on its
sale to Unity

unity

KPMG

SUMO DIGITAL

KPMG's CF team
Advised Sumo Digital on
its secondary buy-out
sponsored by Perwyn
Private Equity

PERWYN

KPMG

WE R INTERACTIVE

KPMG's CF team
Advised We R
Interactive on the sale
of the business to
Inspired Gaming Group

INSPIRED

KPMG LLP Thought Leadership

INSIGHT

Video gaming: Deals aplenty in mobile games

The video game industry has been a big winner in the COVID-19 era—and rising revenue is driving an M&A boom.

INSIGHT

Video gaming: Deal makers get ready to play in the metaverse

Opportunities exist in content, platforms, creating community, hardware, and infrastructure.

Notes:

1. Refinitiv - Transactions less than \$500M

2. Refers to the global Corporate Finance practices of KPMG International's network of independent member firms

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Gaming Landscape Overview



KPMG CF: Gaming Innovators Spotlight

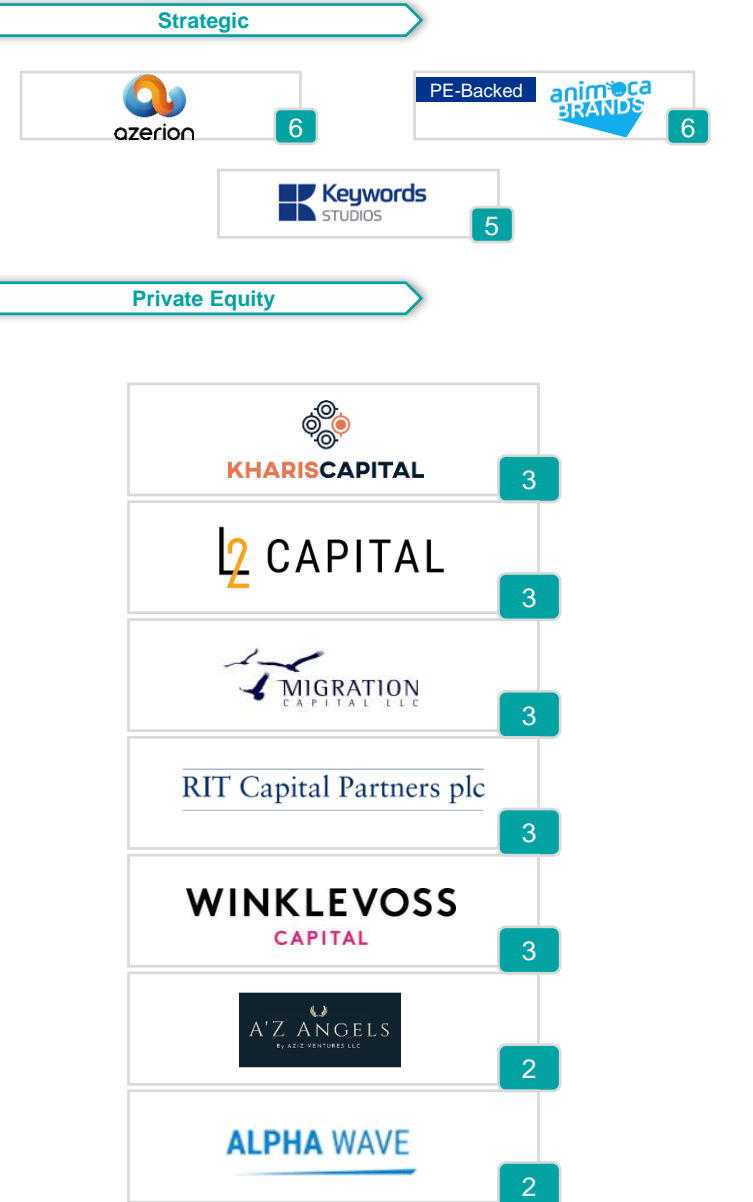
Leading Innovators In the Gaming Ecosystem





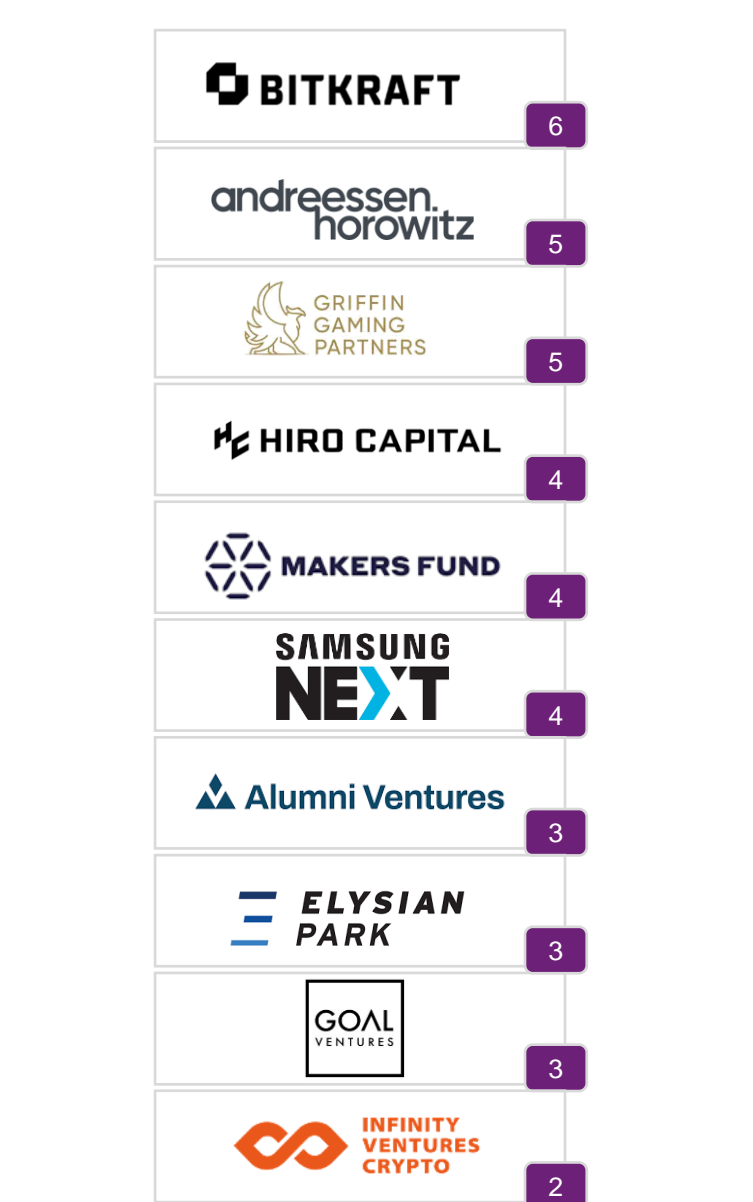
KPMG CF: Gaming Spring 2023 Key Players

Top Gaming Strategic & Private Equity Acquirers (TTM)



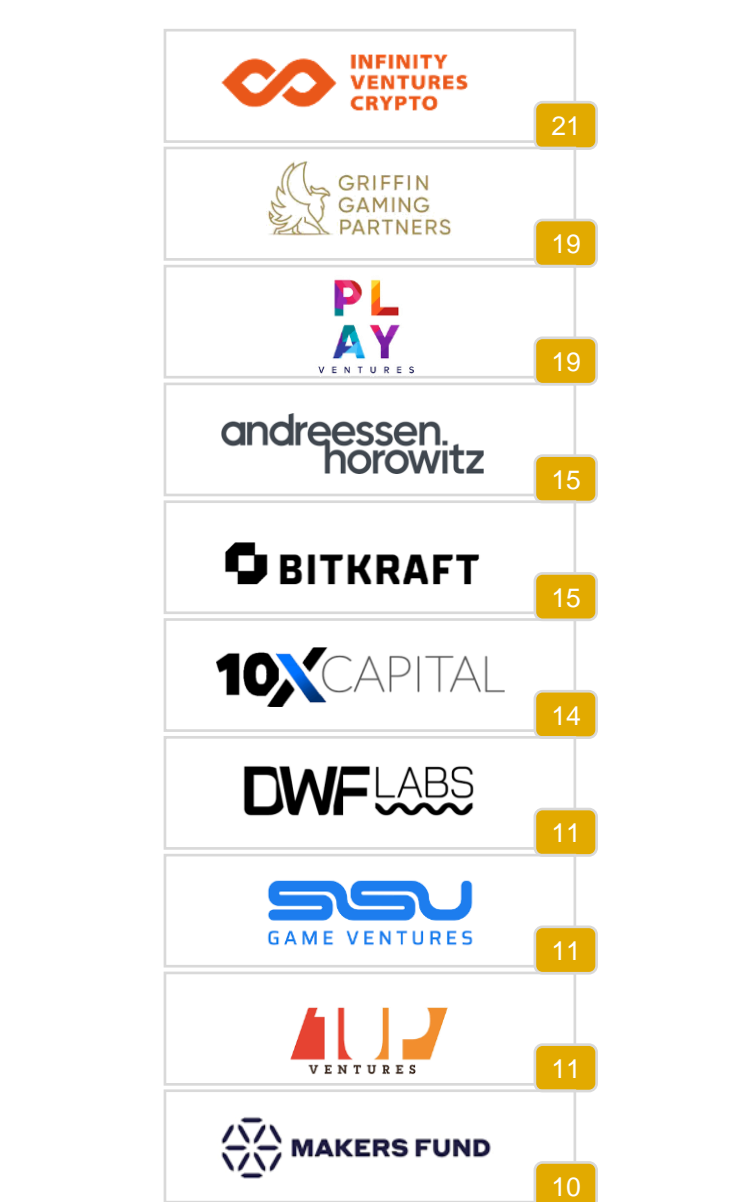
■ Represents number of acquisitions made by the strategic as well as private equity acquirers in Trailing Twelve Months (TTM)

Top Late Stage & Growth Investors (TTM)



■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)

Top Early-Stage Investors (TTM)



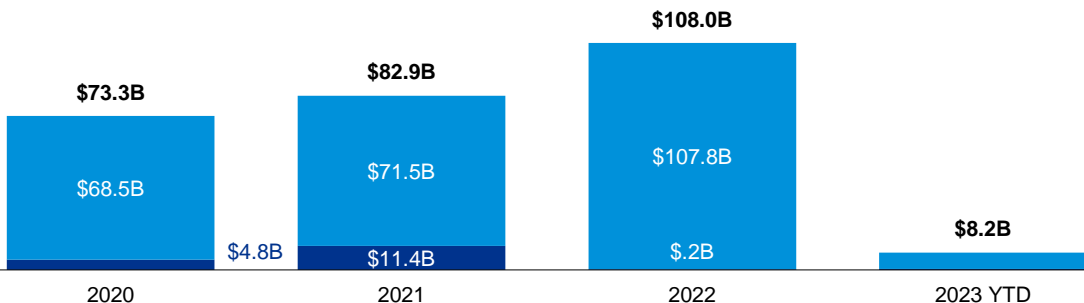
■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)



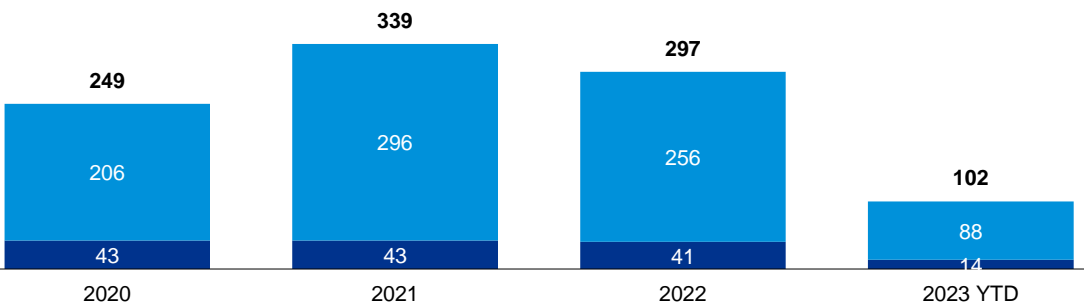
KPMG CF: Gaming Spring 2023 Deal Activity

Global Deal Activity: Gaming M&A

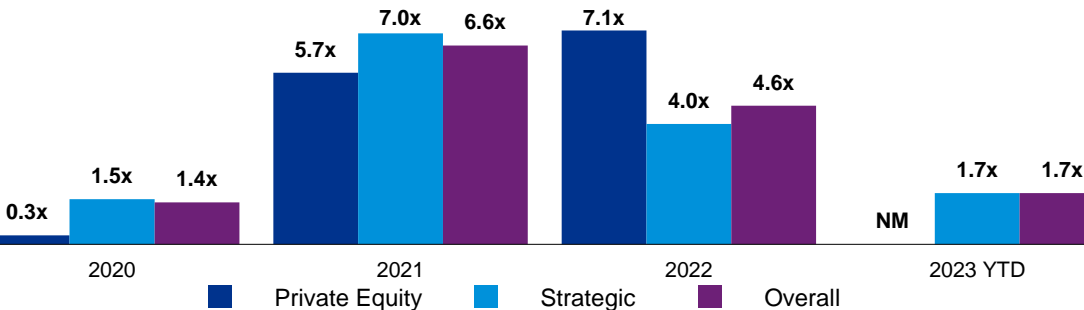
Total Deal Value



Deal Count¹

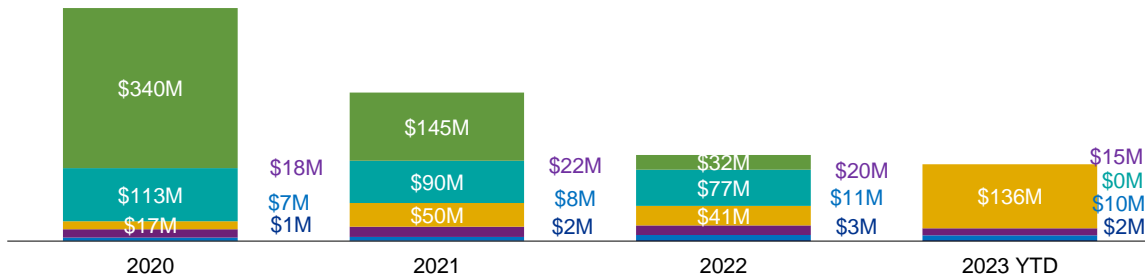


Median EV / Revenue Multiple

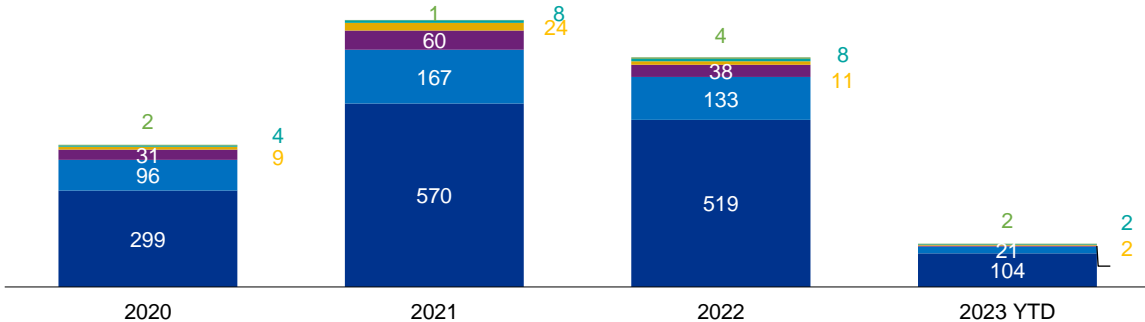


Global Deal Activity: Gaming Private Placements

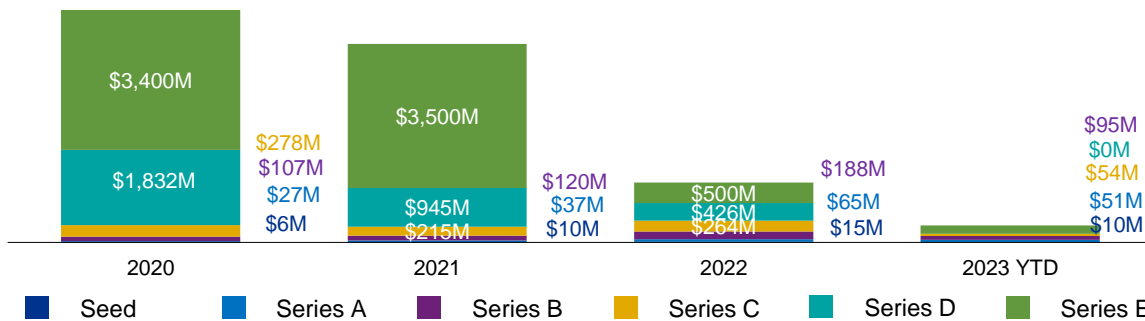
Median Round Size



Deal Count



Median Post-Valuation



Source: 451 Research, Pitchbook
 Notes:
 1. Includes undisclosed multiples in deal counts
 2. Includes all category deals with multiples data within the time period with 2023 YTD referring to Jan'23-May'23
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KPMG CF: Gaming Valuation Overview

Valuation Overview - Publicly Traded Comparable Companies^{1,2}

\$USD in millions

Gaming	Country	Market Cap	Enterprise Value	Revenue	Revenue Growth 2022-23	Gross Margin %	EBITDA %	LTM EV/Revenue	LTM EV/EBITDA	CY 2023 EV/Revenue	CY 2023 EV/EBITDA	CY 2024 EV/Revenue	CY 2024 EV/EBITDA
Activision Blizzard, Inc.	U.S.	\$62,209	\$53,257	8,143	11.3%	70.4%	25.7%	6.5x	25.5x	5.6x	14.8x	5.5x	13.3x
Electronic Arts Inc.	U.S.	\$34,358	\$33,471	7,426	3.0%	77.5%	28.3%	4.5x	15.9x	4.3x	11.9x	4.2x	10.1x
Take-Two Interactive Software	U.S.	\$22,933	\$25,406	5,350	5.8%	44.2%	13.8%	4.7x	34.4x	4.6x	25.9x	3.4x	15.1x
Unity Software Inc.	U.S.	\$10,720	\$12,224	1,571	54.5%	67.7%	(41.0%)	7.8x	NM	5.7x	45.2x	4.8x	20.5x
Square Enix Holdings Co., Ltd.	Japan	\$5,630	\$4,236	2,582	11.4%	51.2%	14.9%	1.6x	11.0x	1.6x	8.8x	1.6x	8.2x
Embracer Group AB	Sweden	\$4,886	\$6,382	3,677	114.7%	73.8%	15.4%	1.7x	11.3x	1.7x	5.6x	1.5x	4.7x
Ubisoft Entertainment SA	France	\$3,398	\$4,448	1,971	23.9%	88.1%	44.1%	2.3x	5.1x	2.2x	4.4x	2.0x	3.9x
Paradox Interactive	Sweden	\$2,488	\$2,424	191	25.8%	54.0%	46.4%	12.7x	27.3x	10.4x	14.6x	9.9x	13.5x
Mean		\$18,328	\$17,731	3,864	31.3%	65.9%	18.4%	5.2x	18.7x	4.5x	16.4x	4.1x	11.1x
Median		\$12,843	\$13,290	3,129	17.6%	69.1%	20.5%	4.6x	15.9x	4.4x	13.2x	3.8x	11.7x

Valuation Overview - Recent Precedent M&A Transactions

Date	Acquirer	Target	Target Country	EV	EV / Revenue	EV / EBITDA	Target Description
May-23	Fanatics	PointsBet USA	U.S.	\$150	-	-	Provides sports wagering, racing, and iGaming
May-23	Aristocrat Leisure	NeoGames	Israel	\$1,007	5.9x	58.7x	Provides online gambling and lottery games
May-23	Keywords Studios	Hardsuit Labs	U.S.	\$15	1.4x	-	Develops games for PC and PlayStation 4
May-23	M.O.B.A. Network	Wargraphs	France	\$28	2.2x	3.2x	Develops and publishes videogames
Apr-23	Sega	Rovio	Finland	\$776	2.3x	13.9x	Develops and publishes mobile games
Mean				\$395	2.9x	25.3x	
Median				\$150	2.3x	13.9x	

Valuation Overview - Recent Capital Raise Transactions³

Date	Lead Investors	Target	Target Country	Round Size	Target Description
May-23	FunPlus, Mysten Labs and Xterio	Metagame Industries	Singapore	\$100	Developer of Web3 game studio utilizing platform blockchain, AI, and cloud gaming
Apr-23	1Up Ventures, Alumni Ventures, Addn'l	Believer Entertainment	U.S.	\$55	Operator of a game development studio
Mar-23	Raptor Group, Sony Innovation Fund	Illumix	U.S.	\$18	Operator of an integrated gaming and technology studio
Mar-23	Undisclosed Buyer	INK Games	U.S.	\$40	Developer of social gaming platform
Feb-23	Boost VC, Konvoy Ventures, Addn'l	Mino Games	Canada	\$15	Operator of a mobile-based gaming studio
Jan-23	Accomplice VC, Arctos Sports Partners., Addn'l	Jackpot.com	U.S.	\$42	Developer of an online betting platform

Sources: CapitalIQ and 451 Research

Notes:
 1. Market data as of May 24, 2023
 2. The EV/Revenue >20x and EV/EBITDA >50x are considered "NM" ("not meaningful") for publicly traded comparables
 3. Excludes <\$15M round size capital raise transactions

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