

Gaming Industry Report

Q1 2024



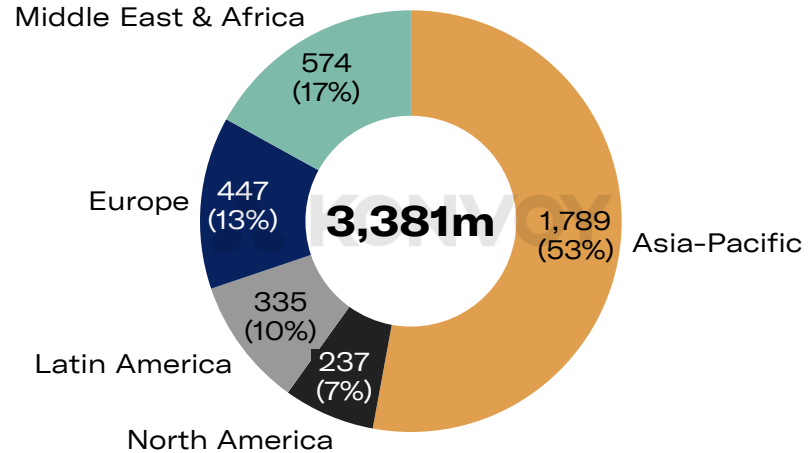
Gaming industry: at a glance

- **2024 market size:** \$189.3b (+2.9% YoY)
- **Public markets:** leading public gaming ETFs up 4-12% YTD (vs S&P 500 = 10.7%)
- **Venture funding in Q1' 24:** \$574m across 123 rounds (funding is +80% QoQ, number of rounds are +24% QoQ)

Key Trends

- Emerging IPO candidates in gaming
- Potential US TikTok ban
- Disney invests in Epic Games
- App Store sees increased scrutiny
- Apple Vision Pro: limited gaming use cases
- The rise of the indie developer

Total gamers in 2023 by region (millions):



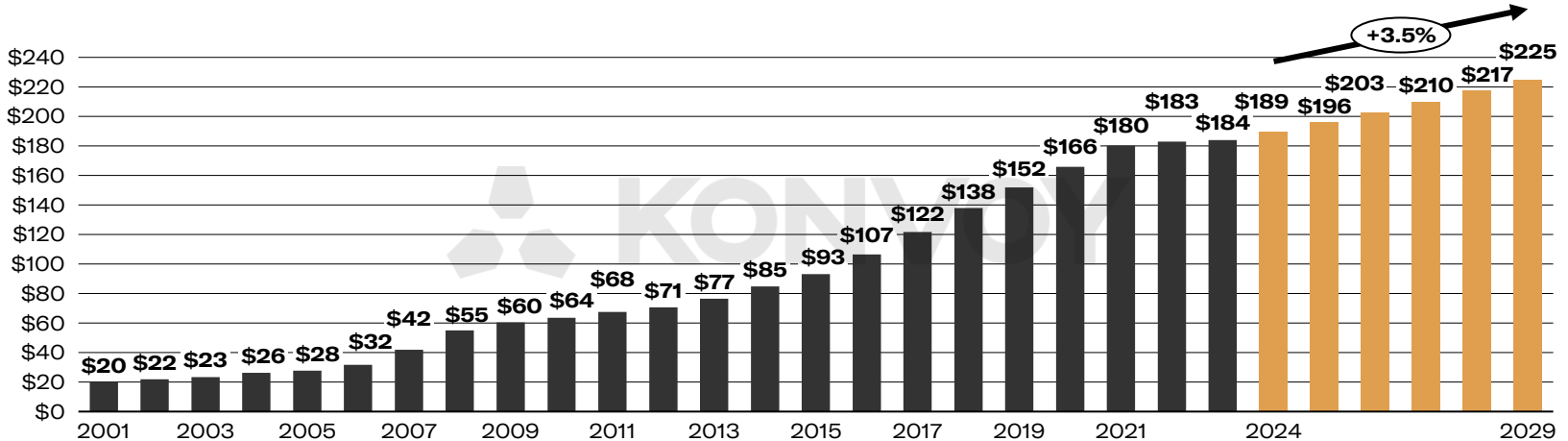
Source: CB Insights, Newzoo, public reporting, Drake Star



Gaming is expected to be a \$189b market in 2024

\$ in billions

Actual Projected

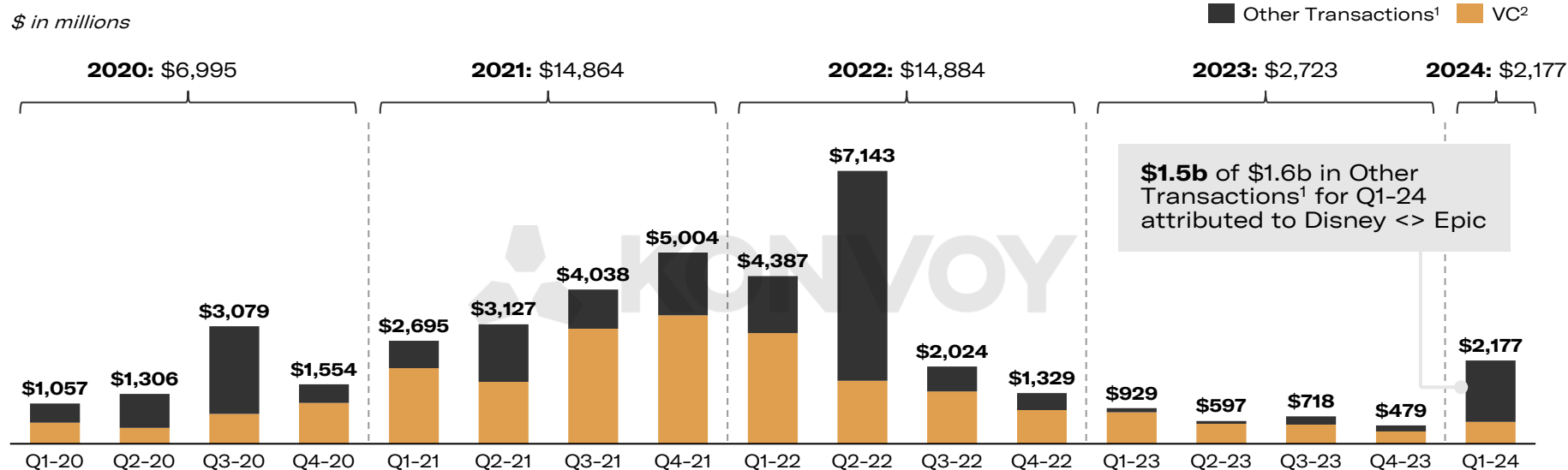


Source: IFPI, Newzoo, Arstechnica, MPAA, Mordor Intelligence, Konvoy



Gaming funding: private markets overview

Strong Q1 private market performance is driven by Disney <> Epic (\$1.5b)

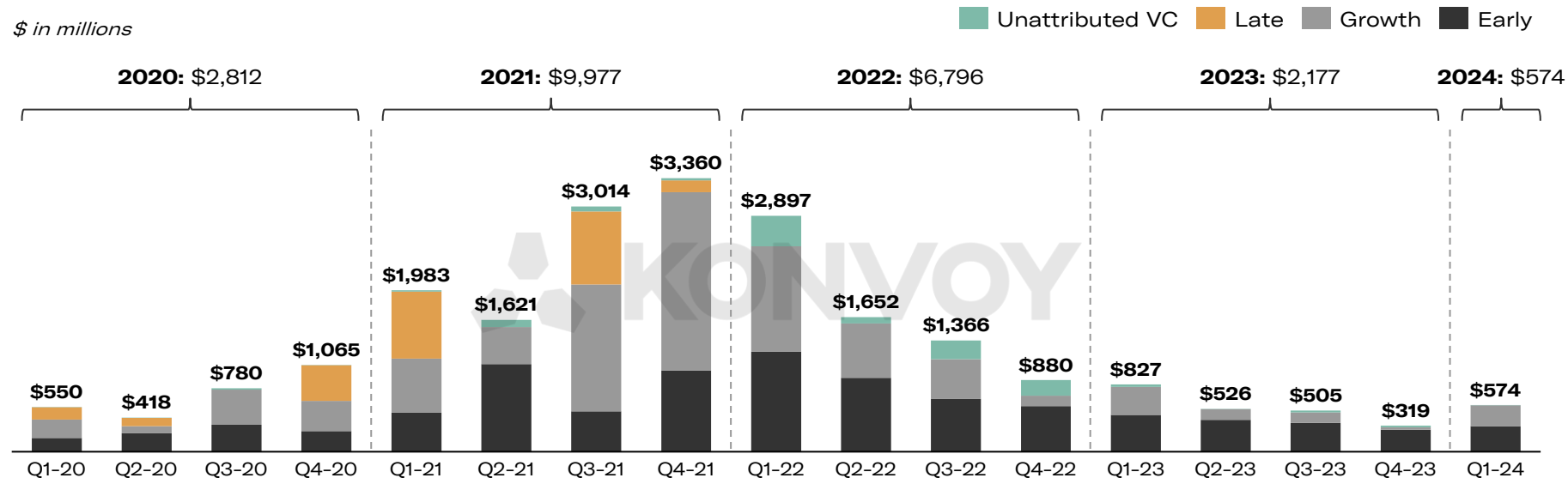


1: Includes transactions such as Private Equity, Growth Equity, Corporate Minorities, PIPEs, and others. This excludes M&A; 2: VC includes Pre-Seed through Series K VC; Note 1: Historical data across reports is subject to change, as source adds new deals as they become public; Note 2: Updated 4/29 to remove falsely reported deal; Source: CB Insights



Gaming VC funding: \$574m (+80% QoQ) in Q1-24

Early and Growth VC funding has normalized to pre-COVID levels, Late remains absent

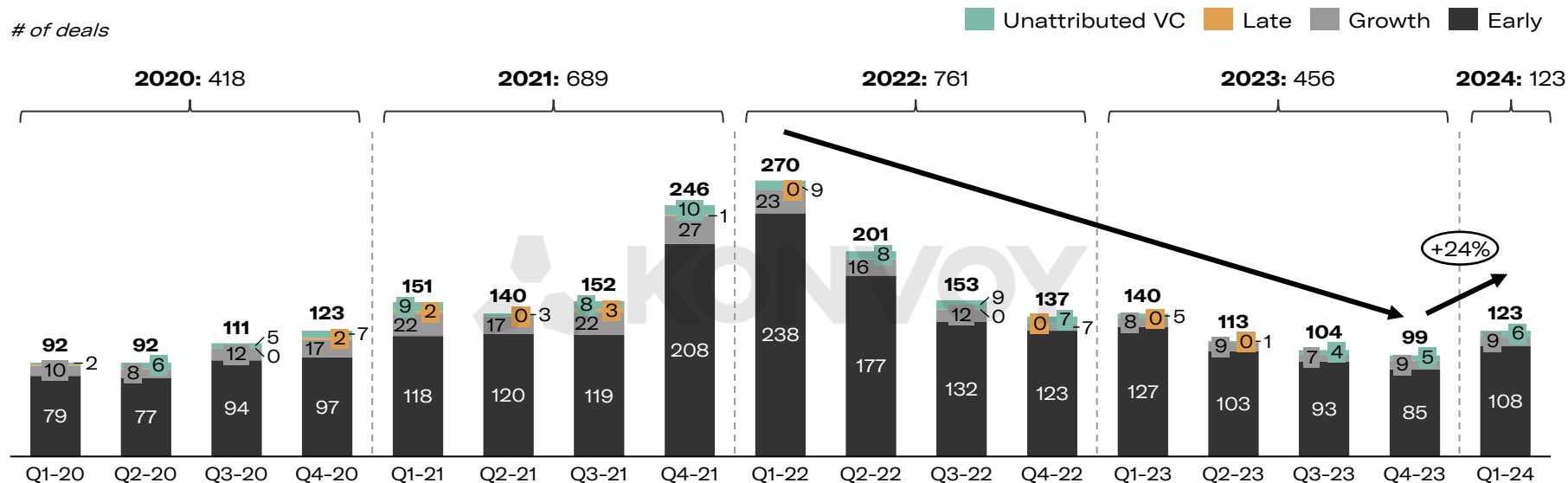


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Gaming VC deals: 123 (+24% QoQ) in Q1-24

Q1-24 reversed the deal volume decline that we have seen since Q1-22

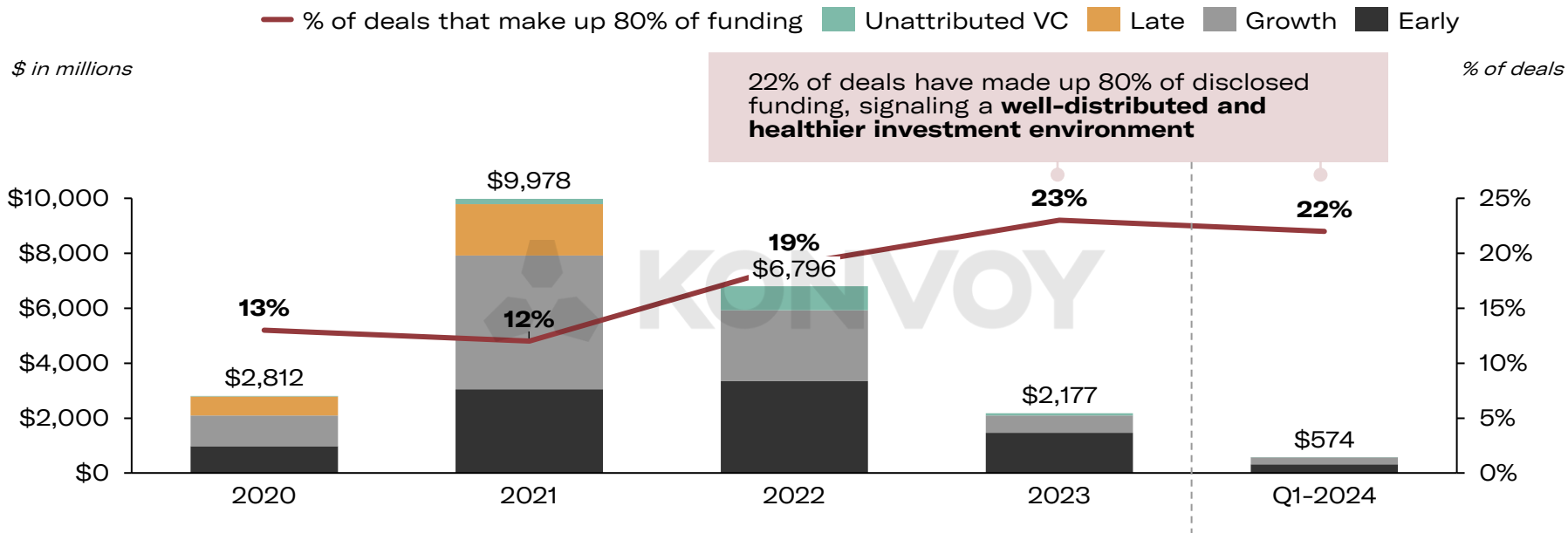


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Gaming VC: a healthier funding environment

A higher proportion of deals are making up 80% of funding

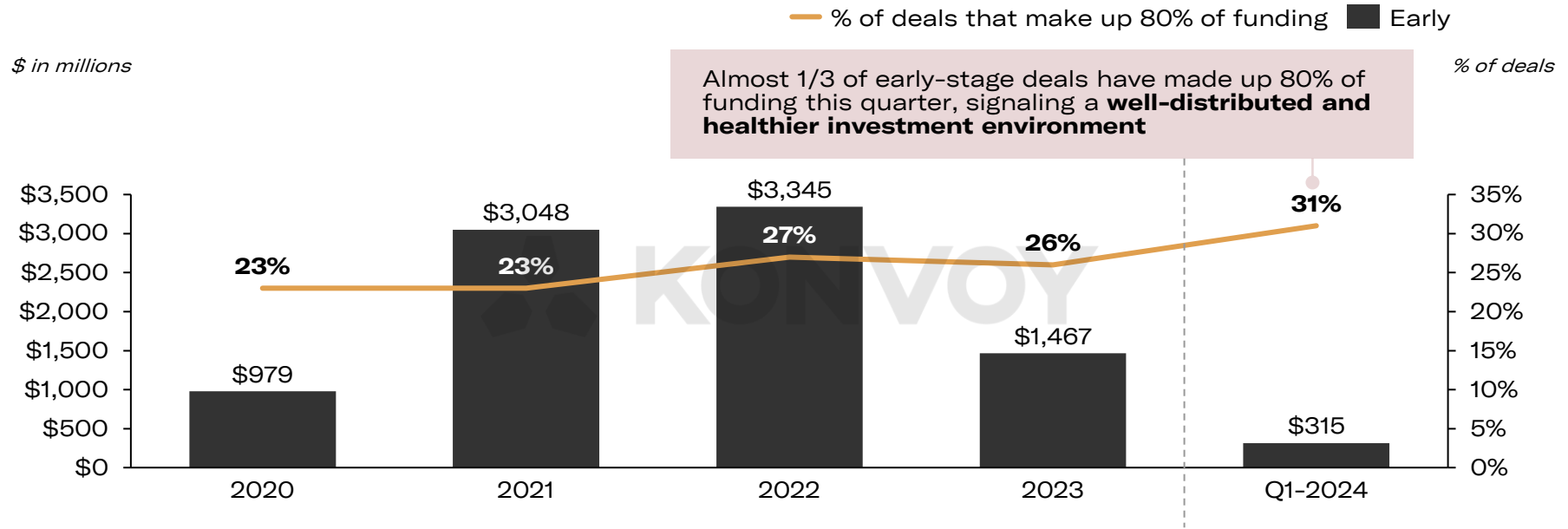


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Gaming VC: early-stage capital distribution

80% of early-stage funding went into 31% of deals



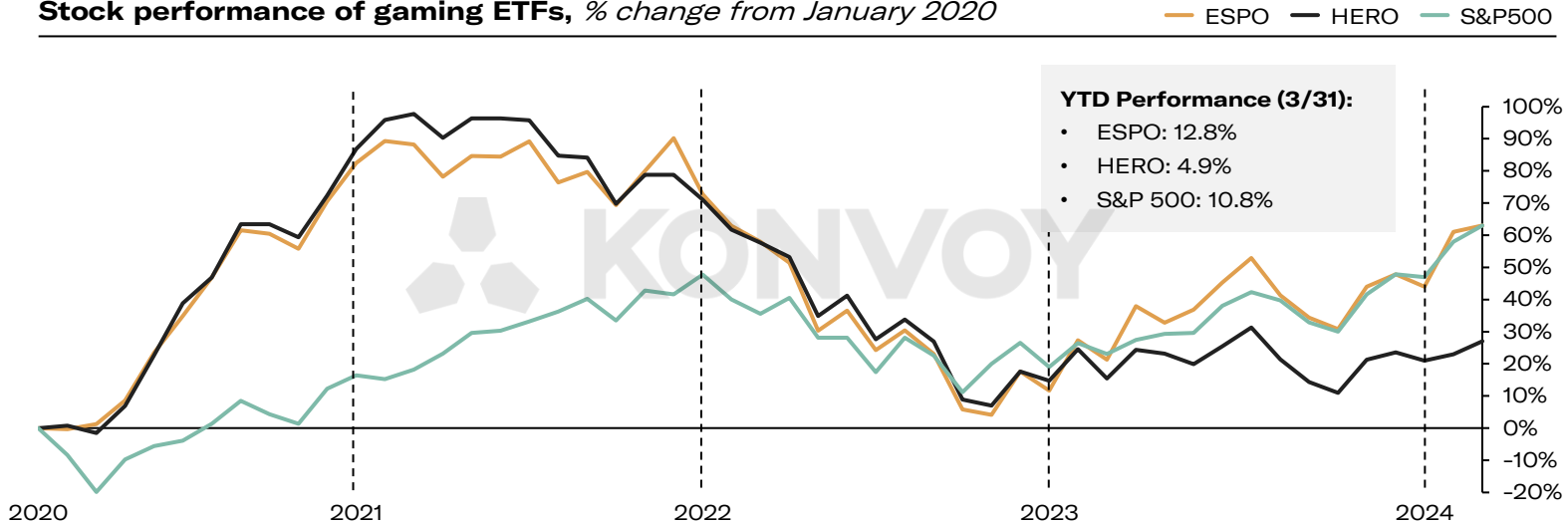
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Gaming in the public markets

ESPO has outperformed the S&P 500 YTD but both have similar performance since Q1-20

Stock performance of gaming ETFs, % change from January 2020









Source: Public reporting as of March 31, 2024; 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 \$35b in cash and equivalents; a healthy M&A environment

Gaming companies

Company	Cash & equivalents ² (USD)
 Nintendo	\$9.6b
 NetEase Games	\$3.0b
 SEA	\$2.8b
 EA Electronic Arts	\$2.7b
KRAFTON	\$2.4b
 NEXON	\$2.0b
 KONAMI	\$1.7b
Others¹	\$11.1b
Total	\$35.3b

Tech companies with gaming divisions

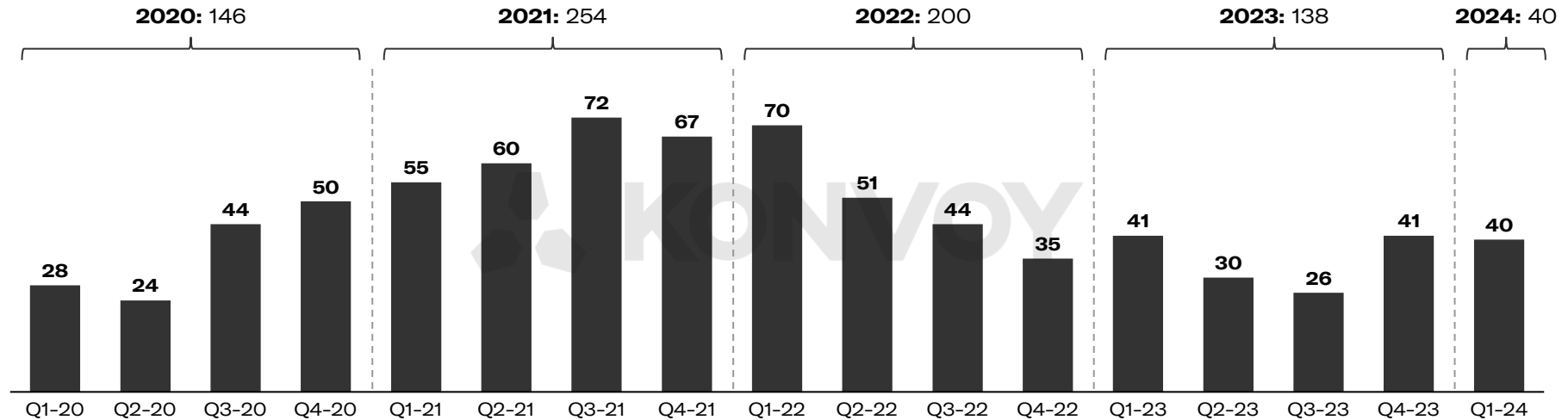
Company	Cash & equivalents ² (USD)
 amazon	\$73.9b
 Meta	\$65.4b
 Apple	\$40.8b
 Tencent 腾讯	\$24.3b
 Google	\$24.0b
 Microsoft	\$17.3b
SONY	\$14.3b
NETFLIX	\$7.1b
Total	\$267.2b

1: Bandai Namco, Unity, Square Enix, Ubisoft, Sega, Playtika, TTWO, Roblox, Applovin, Embracer, NCSOFT; 2: Does not include short-term investments; Source: Latest public reporting (converted to based on historical exchange rate)



Gaming M&A: 40 transactions in Q1-24

Similar number of M&A transactions YoY and QoQ



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 – Q1 2024











	Company name	Stage	Raise, \$m	Region	Comments: <ul style="list-style-type: none"> • 7 of the top 10 Tech & Platform deals were into companies in North America • The top 10 Tech & Platform funding totaled \$89.6m (-13% QoQ) • 3 of the top 10 Tech & Platform deals are building in the alternative game engine / operating system space (W4 Games via Godot, Playtron, and Jabali)
	Splash Sports	Series A	\$14.1	North America	
	W4 Games	Series A	\$14.1	Europe	
	Elixir Games	Seed	\$14.0	North America	
	Playtron	Seed	\$10.0	North America	
	3thix	Seed	\$8.5	North America	
	Forgotten Playland	Seed	\$7.0	North America	
	BlockGames	Seed	\$6.0	Europe	
	Helika	Series A	\$5.9	North America	
<i>No logo</i>	Wanruntong	Seed	\$5.0	Asia	
	Jabali	Seed	\$5.0	North America	

Source: CB Insights



Largest game content VC deals

Game content investments – Q1 2024

	Company name	Stage	Raise, \$m	Region	
	Build A Rocket Boy	Series D	\$110.0	Europe	Comments: <ul style="list-style-type: none"> Content was a large driver of disclosed deal activity this quarter The top 10 Content deals totaled \$321.0m (\$117.5m in Q4 2023, +173%), primarily driven by the top 2 deals This quarter, there were 3 Growth-Stage Content deals with large disclosed deal volumes >\$15m (vs 0 for Tech & Platform)
	Second Dinner	Series B	\$100.0	North America	
	Parallel	Series B	\$35.0	North America	
	MetaKing Studios	Seed	\$15.0	Asia	
	Illuvium	Series A	\$12.0	Australia	
	Carbonated	Series A	\$11.0	North America	
	MetaCene	Series A	\$10.0	Asia	
	Overworld	Seed	\$10.0	North America	
	Mika Games	Seed	\$10.0	North America	
	Pixelmon	Seed	\$8.0	North America	

Note: Updated 4/29 to remove falsely reported deal; Source: CB Insights



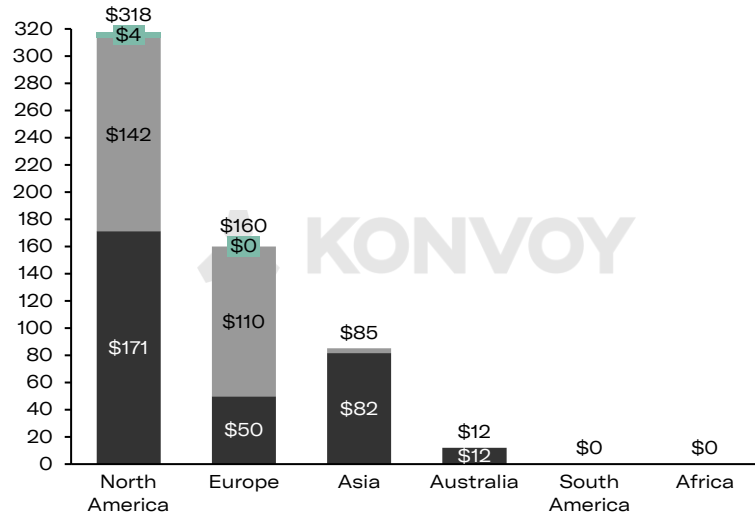
Regional Breakdown



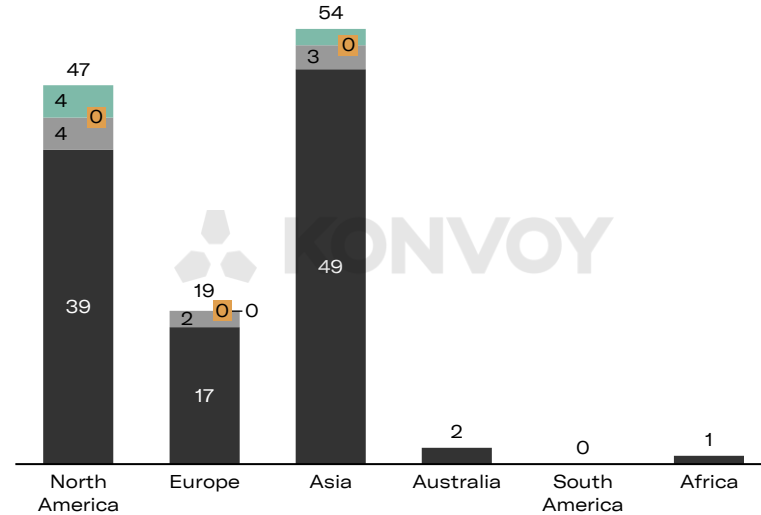
Gaming deals globally: at a glance

■ Early ■ Growth ■ Late ■ Unattributed VC

Gaming venture funding in Q1 2024, \$m



Number of gaming venture deals in Q1 2024



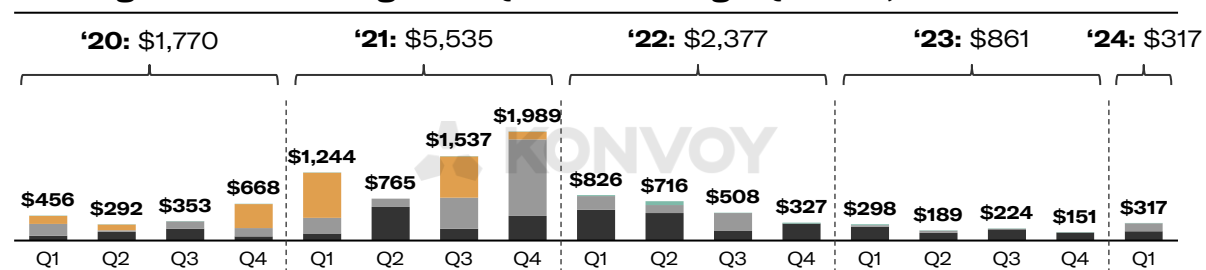
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NA: Q1 funding was a 1-year high (+111% QoQ)

Gaming venture funding from Q1 2020 through Q1 2024, \$m

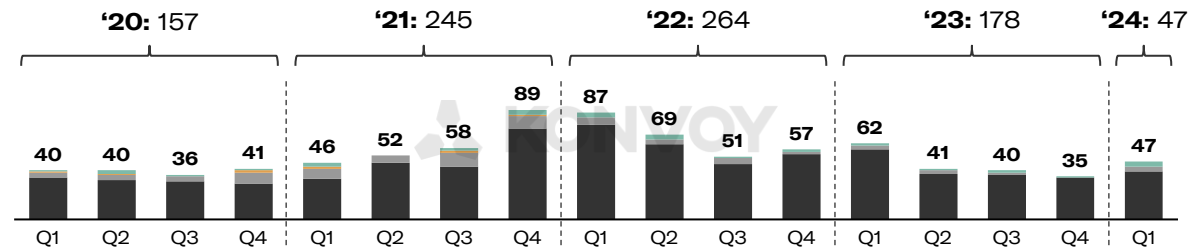
Legend: Early (Dark Grey), Growth (Light Grey), Late (Orange), Unattributed VC (Green)



Largest VC deals in Q1

Company	Size
Second Dinner	\$100.0m
Parallel	\$35.0m
Splash Sports	\$14.1m
Elixir Games	\$14.0m
Carbonated	\$11.0m
Overworld	\$10.0 m
Playtron	\$10.0m
Mika Games	\$10.0m
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Forgotten Playland	\$7.0m
Helika	\$5.9m
Jabali	\$5.0m

of gaming venture deals from Q1 2020 through Q1 2024



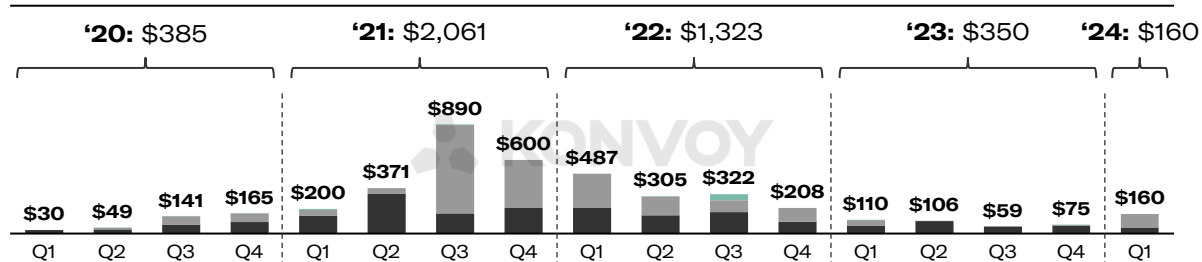
Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Europe: Q1 funding was a 1-year high (+113% QoQ)

■ Early ■ Growth ■ Late ■ Unattributed VC

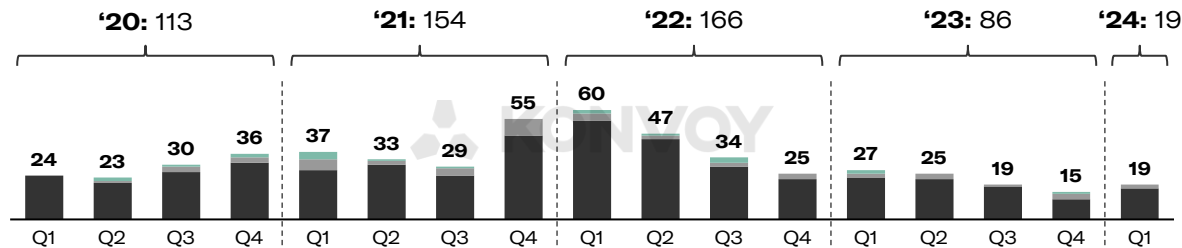
Gaming venture funding from Q1 2020 through Q1 2024, \$m



Largest VC deals in Q1

Company	Size
Build A Rocket Boy	\$110.0m
W4 Games	\$14.1m
Cathedral Studios	\$6.7m
BlockGames	\$6.0m
Saltwater Games	\$5.5m
7 Digital Labs	\$4.0m

of gaming venture deals from Q1 2020 through Q1 2024



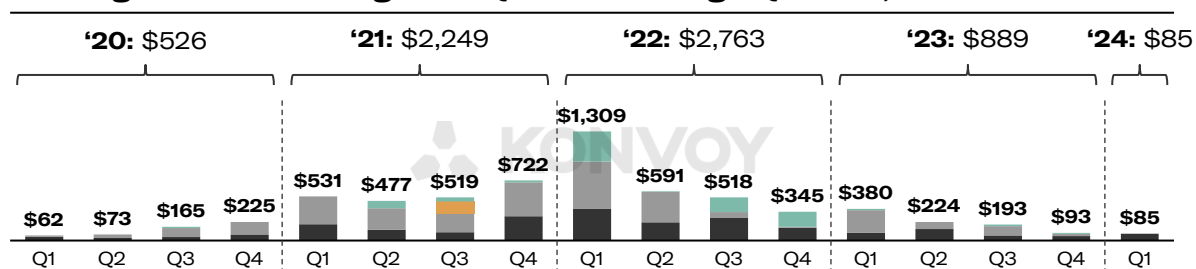
Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Asia: high deal count, low disclosed funding

■ Early ■ Growth ■ Late ■ Unattributed VC

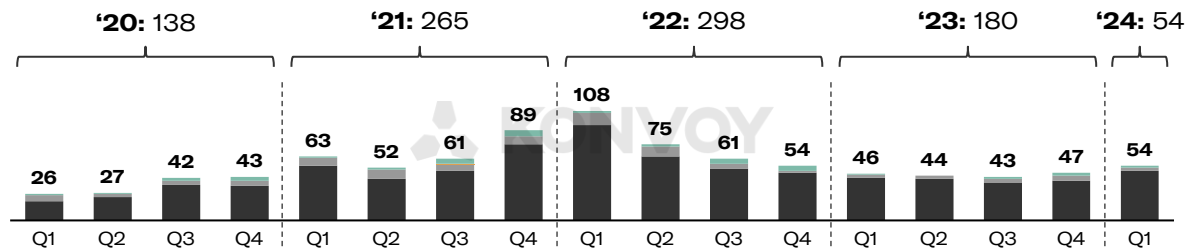
Gaming venture funding from Q1 2020 through Q1 2024, \$m



Largest VC deals in Q1

Company	Size
MetaKing Studios	\$15.0m
MetaCene	\$10.0m
Liquidnitro Games	\$5.3m
Crystal Fun	\$5.0m
Wanrunotong	\$5.0m
Jieerwei Media	\$4.9m
Ultiverse	\$4.0m
Panana Studio	\$3.7m

of gaming venture deals from Q1 2020 through Q1 2024



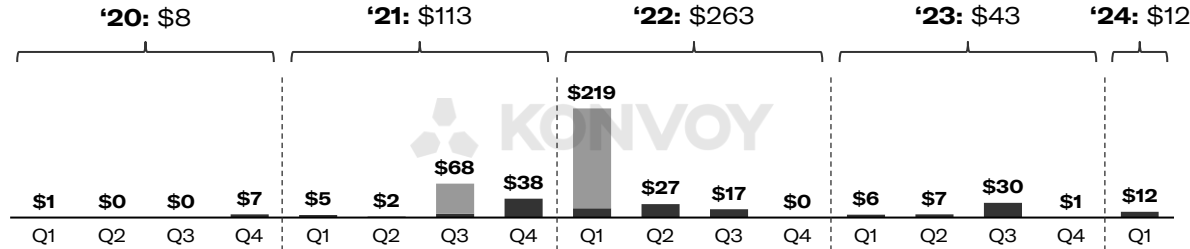
Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Australia: 28% of '23 funding in Q1-24

■ Early ■ Growth ■ Late ■ Unattributed VC

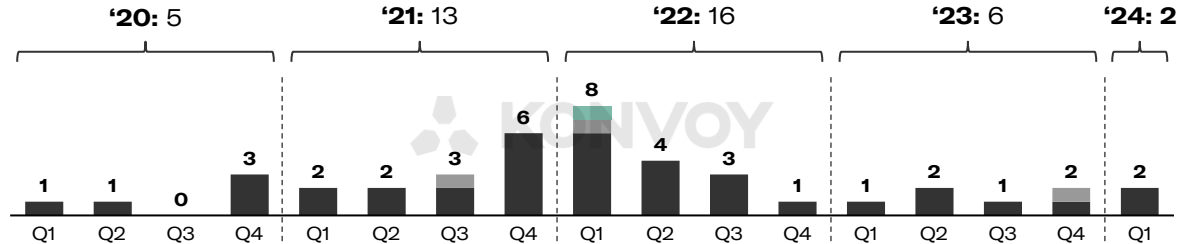
Gaming venture funding from Q1 2020 through Q1 2024, \$m



Largest VC deals in Q1

Company	Size
Illuvium	\$12.0m

of gaming venture deals from Q1 2020 through Q1 2024



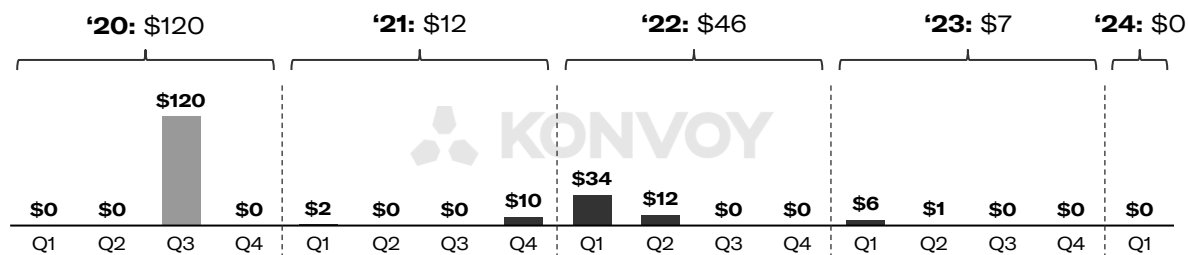
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South America: no deals¹ since Q2-23

Gaming venture funding from Q1 2020 through Q1 2024, \$m

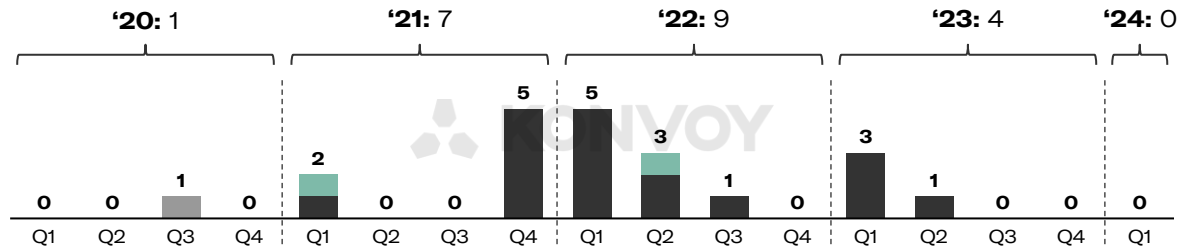
■ Early ■ Growth ■ Late ■ Unattributed VC



Largest VC deals in Q1

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

of gaming venture deals from Q1 2020 through Q1 2024



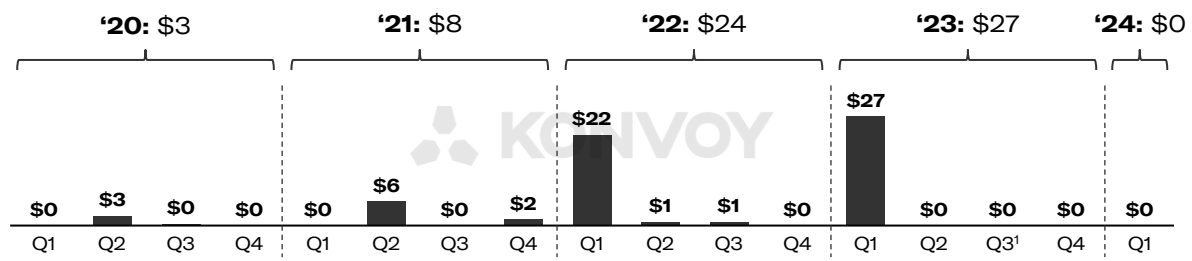
1: Announced deals; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



Africa: 1 deal done in Q1-24

Gaming venture funding from Q1 2020 through Q1 2024, \$m

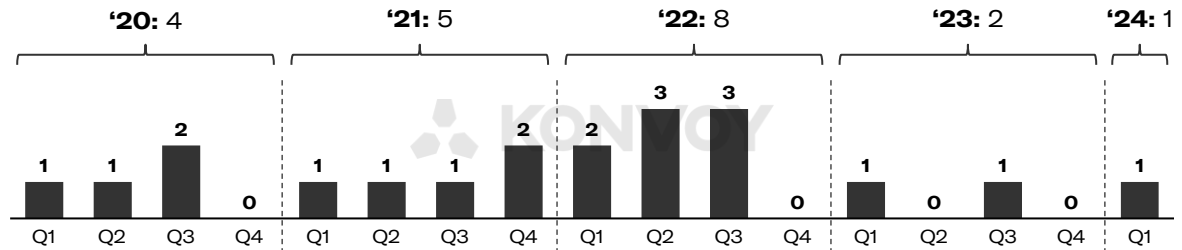
Legend: Early (Dark Grey), Growth (Light Grey), Late (Orange), Unattributed VC (Green)



Largest VC deals in Q1

Company	Size
Carry1st*	Unknown

of gaming venture deals from Q1 2020 through Q1 2024



* Denotes Konvoy portfolio company; 1: Undisclosed deal amount; Note: Early = Pre-Seed through Series A, Growth = Series B through D, Late = Series E+ VC; Source: CB Insights



- 1 Emerging IPO candidates in gaming
- 2 Potential US TikTok ban
- 3 Disney invests in Epic Games
- 4 Apple sees increased scrutiny, opening the door for companies like Epic Games
- 5 Apple Vision Pro: limited gaming use cases
- 6 2024: the rise of the indie developer



1 Emerging IPO candidates in gaming

Market activity:

- *Context:* Reddit's IPO on March 20th, 2024, was the first US Tech IPO since September 2023. The positive trading in the days following IPO have raised the question about the "IPO window" reopening
- The high interest rate environment has **shifted investors away from the "growth at all costs" mentality towards profitability**
- Companies that have right-sized, proven out and started to execute on a path to profitability are likely the ones to come to market first and be well received by investors
- *Likely not targets (\$ raised):* VSPO (~\$470m), Mindmaze (~\$350m), Cloud Imperium Games (~\$315m), Rec Room (~\$300m), Probably Monsters (~\$270m), From Software (~\$260m), Supercell (\$142m), Riot Games (\$16m), Mihoyo (N/A)

Potential candidates to IPO in gaming

	<u>Company</u>	<u>Est.</u>	<u>Total raised, \$m</u>	<u>Leadership commentary</u>
	Epic Games	1991	\$8,127m	Link
	Discord	2015	\$995m	Link
	Improbable	2012	\$866m	N/A
	Niantic	2011	\$770m	Link (2019)
	Dream Games	2019	\$467m	N/A
	Moon Active	2011	\$425m	Link
	Mobile Premier League	2018	\$378m	N/A
	Homa	2018	\$165m	N/A
	VNG	2004	\$29m	Link
	Smilegate	2002	N/A	N/A

Source: The Wall Street Journal, CB Insights



2 Potential US TikTok ban



What happened:

- In March, 2024, the US House of Representatives overwhelmingly passed a bill called the "Protecting Americans from Foreign Adversary Controlled Applications Act" which requires TikTok's parent company ByteDance to sell the app within 6 months or face a ban in the US
- **A Senate decision is unknown:** Senate Majority Leader Chuck Schumer has been noncommittal about a fast decision, saying the Senate will "review the legislation" when it arrives from the House
- **US consumer pushback:** There are concerns that this ban could violate free speech, as it has become a major platform for expression and content creation. Experts say that even with a ban, TikTok's >100m US users would likely still find ways to access the app (though it would "harm its reach")

Gaming implications: To date, TikTok has provided a valuable platform for smaller game developers to showcase their games and reach new audiences. The loss of TikTok could disrupt this flow of gaming-focused viral content and culture, especially for indie and smaller game studios

Source: CBS, Kotaku

China

China has criticized the potential ban, saying the US should "stop unjustly suppressing foreign companies".

However, many websites, apps and tools are banned or blocked in China, such as Google, Snapchat, The Economist, BBC, The New York Times, The Wall Street Journal, Wikipedia, Bloomberg, Reuters, TIME, Yahoo, Gmail, Quora, Spotify, and Slack.

Also, the TikTok available in China is not the same version that US consumers use.

China has banned the following apps (year banned):

- Facebook - 2009
- Twitter / X- 2009
- YouTube - 2009
- Instagram - 2014
- Tumblr - 2016
- WhatsApp - 2017
- Pinterest - 2017
- Discord - 2018
- Twitch - 2018



3 Disney invests in Epic Games

Disney's virtual theme park:

- In February 2024, Disney [announced](#) that they will be investing \$1.5b in Epic Games and will be launching a multi-year collaboration on Epic's UEFN platform which will capture “all-new games and entertainment universe that will further expand the reach of beloved Disney stories and experiences” ([video preview](#))
- This expansion to UGC marks Disney's newest phase of exploration in the gaming space, which over the past 30 years has oscillated in focus between in-house development or licensing

Epic is positioned to capture brand interest in gaming:

- Attractive creator payouts: UEFN is sharing 40% of revenue with creators (engagement payout: attracting new players and player retention) vs Roblox who share 24.5%¹ (in-game purchases) plus 4.8% (engagement-based: also known as “premium” revenue)
- UEFN is going all in on the “engagement model” while Roblox has continued to lean on their in-game-purchases-heavy model



Other IP holders:

- **Mattel:** announced they will be doubling down in games and will start self-publishing. Historically, the group has focused on licensing games
- **Warner Bros:** will be moving away from 1 big game per year (e.g., Hogwarts Legacy) to a set of live-service (and likely F2P, mobile) titles

1: For all non-web-based or desktop transactions; Source: The Walt Disney Company, Epic Games, Mattel, Warner Bros



4 Apple sees increased scrutiny, opening the door for companies like Epic Games

What happened:

- The Supreme Court declined to hear appeals from both Apple and Epic Games in January 2024, bringing an end to the legal saga. This upheld the lower court's ruling, which largely sided with Apple but barred Apple from blocking developers from promoting alternative payment options within their apps
- In March 2024, the US Department of Justice and 17 state attorneys general filed a major antitrust lawsuit against Apple. The lawsuit accuses Apple of illegally monopolizing the smartphone market through its control over the iOS App Store
- Epic Games affirmed its commitment to bringing the Epic Games Store to iOS and Android before the end of 2024 during GDC in March 2024



What does this mean?

- Increased regulatory pressure on the control that the iOS App Store has on its mobile ecosystem will continue to drive momentum towards alternative forms of payment
- We believe that this will also have implications on distribution and result in the rise of third-party app marketplaces

Source: Apple, CNBC, Digital Trends



5 Apple Vision Pro: limited gaming use cases



- Apple released 600 games and apps for the Apple Vision Pro (AVP), including an accessible version of Apple Arcade (>250 games) and new spatial games like [Game Room](#), [What the Golf?](#), and [Super Fruit Ninja](#) that transform the user's physical space and provide engaging, immersive gameplay
- The Vision Pro features ultra-high-resolution displays, a powerful M2 processor, and intuitive eye and hand-tracking controls, enabling immersive gaming experiences
- While the initial sales of the Vision Pro are expected to be relatively low, analysts believe that more affordable versions in the future could lead to widespread adoption and significantly impact the gaming landscape
- **Takeaway:** The Vision Pro has **limited gaming use cases** at launch, as it is still a new and powerful technology looking for broader applications. Since the AVP is not primarily focused on gaming, developers are expected to create exciting apps that go beyond just gaming and leverage the headset's advanced features

Source: Apple, CNBC, Sixcolors

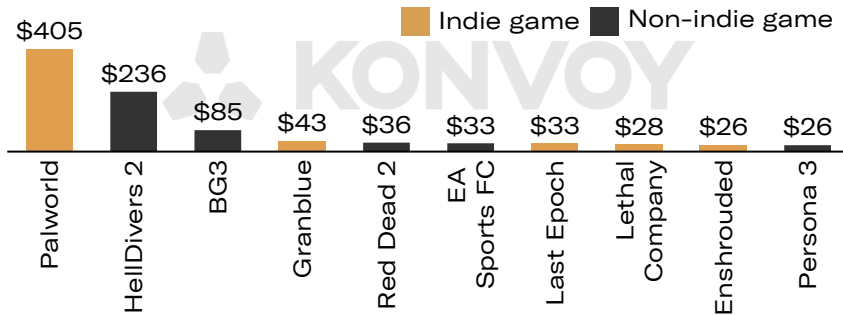


6 2024: the rise of the indie developer

The state of indie games today:

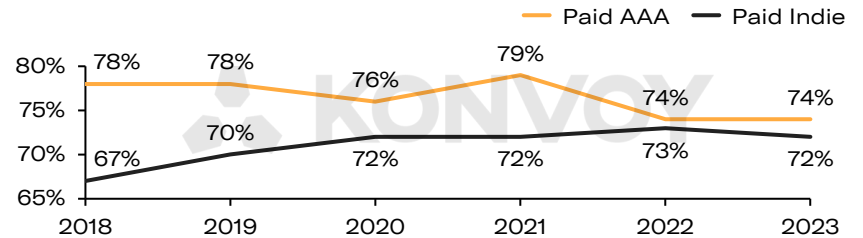
- **Indie titles have successfully competed in terms of player experience:** the average Steam rating for indie and AAA games has nearly converged, at 72% and 74% respectively
- **Back in the spotlight:** in Q1, breakout hit Palworld (\$6.75m budget) surpassed 25 million units sold, joining the likes of games like Minecraft, Stardew Valley, Among Us, Fall Guys and Valheim

Top games on Steam by YTD gross revenue, \$m



Source: VG Insights, Steam

Steam games rating by publisher classification, %



What's next

The democratization of developer tools

Developer tools have consistently decreased costs and reduced the time and resources required to make a game, which has allowed for more focus on quality.

The importance of these tools is only set to increase in the coming years, especially as AI begins to play a more significant role in further and incrementally streamlining game development.



Top gaming industry conferences / events

2024 events schedule

Event	Location	Dates	Category
Pocket Gamer Connects*	Multiple	Multiple	Gaming
Consumer Electronics Show (CES)*	Las Vegas, NV	January 9-12, 2024	Technology
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)*	Long Beach, CA	June 18-20, 2024	Gaming, Technology
Gamescom Latam (Prev: BIG)	São Paulo, Brazil	June 26-30, 2024	Gaming, Media
Siggraph*	Denver, CO	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



Konvoy: Overview and Team



Konvoy: by the numbers



Our top newsletters published in Q1 2024:

1. [The Era of the Indie Game](#)
2. [Anime \(\\$31b\) is Underutilized in Gaming](#)
3. [A Whole New \(\\$1.5b\) World: Epic + Disney](#)
4. [The Good and Bad of Free-To-Play](#)
5. [A Shifting Esports Landscape](#)

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

Platform Team



Dhinuka Perera
Head of Platform



Carly Martin
Associate

