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Introduction to Gaming expertise
November 2020

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Executive summary

“

Our global Gaming sector advisory team has a **proven track record** of helping established and emerging companies **achieve** their **growth and liquidity objectives**

Olivier Guignon

Managing Partner at Alantra

Foreword



- The gaming industry is significantly larger than that of music and movies combined although it did not get as much attention for long
- With over 2bn people playing video games and year on year growth of over 9%, the industry is expected to top \$159bn in combined revenues in 2020 and \$200bn by 2023 (+8.0% CAGR over the period)
- Ever greater device capabilities, relatively global access to high-bandwidth, low latency connections, emergence of digital stores shaking up traditional retail distribution channels, streaming, widespread subscription culture and services and now cloud gaming and rising eSport... the industry is constantly innovating and reinventing itself and poised to continue growing doing so
- Once very much hit driven, the industry has gained in depth and complexity providing multiple monetization routes and financing sources for studios and publishers, redefining the relationship between developers, publishers, distributors and players
- The border between video games and social media is getting blurrier as games become spaces where people converge and congregate with their friends, translating into truly interactive experiences, laying the building blocks of future metaverses. Games are even experimenting with events that goes beyond the games themselves such as live concerts and movies being broadcasted on Fortnite's Party Royale Island, weddings and late-night talk shows being hosted on Animal Crossing and middle school geometry class being provided within the new virtual reality game Half-Life: Alyx
- Buyers are sitting on piles of cash reserves to reinvest with unaltered desire and ambition to build and acquire as they scale up
- Game time / engagement with game has only increased through the Covid crisis, further improving balance sheets and engaging consumers
- Large groups are looking to maintain their growth trajectory so that M&A activity is expected to remain at the center of their strategy as:
 - i. The industry remains fragmented with an ever-growing influx of entrants / games putting pressure on margins and market share and creating a shortage of talents
 - ii. Many challengers are looking to gain market share, causing shortage of creative talents and accelerating M&A trends to acquire the right teams
 - iii. Content depth, marketing, personnel and cybersecurity costs are expected to be on the rise
- More industry disruption lies ahead (Cloud, 5G, etc.), making it an imperative to acquire the right set of capabilities
- The sector is increasingly attracting interest from the Private Equity community, globally

Content providers, IP holders, creative teams, technological assets and proprietary engine developers, proven track records of quality games, growth and profit will attract a lot of interests and command high multiples

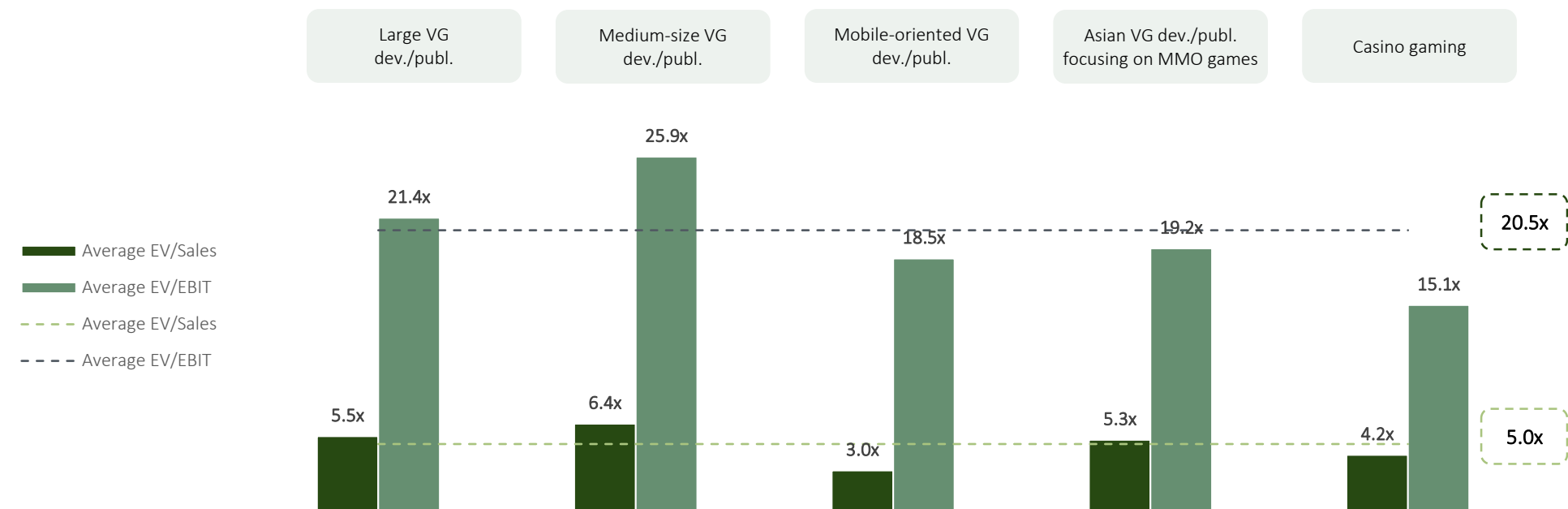
"Content is just the incredible ingredient to our platform that we continue to invest in"

Quote from Xbox head Phil Spencer, speaking to CNET in September 2020 after the \$7.5bn acquisition of Bethesda parent Zenimax

Overview of ALANTRA's Gaming index performance

Supported by solid growth and margins and attractive trends, the sector supports high valuation multiples across the board

Average EV / Sales and EV / EBIT 2020⁽¹⁾ multiples by segment



# of constituents	15	14	13	9	9
2020 Sales growth	+30%	+10%	+10%	+14%	+6%
2020 EBITDA margin	34%	26%	22%	31%	29%
2020 EBIT margin	25%	22%	19%	28%	20%

Private and confidential

Sources: companies, Capital IQ as at 23/09/2020, Thomson Eikon

1) Based on broker estimates, mostly pre-covid crisis

Macro trends and key market growth drivers (1/4)

A large and fast-growing market | 2020, a milestone year

A fast-growing market, poised to reach \$200bn market size by 2023



- The global Gaming market is estimated to reach \$159bn in 2020, a 9.3% increase over 2019
- Significant growth ahead (+8.3% CAGR 2019-2023), supported by:
 - i. the ever-growing number gamers (2.7, +6.0% CAGR 2019-2023) and time spent playing (+33% since 2011 (averaging 6.5 hours /player /week),
 - ii. the increasing accessibility of video games through the digitalization of the market (e.g. GaaS, Cloud platforms)
 - iii. the improvement in infrastructure and access to smartphones and tablets (e.g. 5G)
- Mobile remains the largest segment of the market in 2020 (48% market share), ahead of consoles (28%) and PC (23%)
- APAC represents the largest revenue generating region (49%) followed by North America (25%), EMEA (22%) and Latin America (4%)

2020: a milestone year in an industry in transformation



- Microsoft (Xbox Series X) and Sony (PS5) to launch their new consoles in H2-2020 supporting a new 7-year cycle
- Increasing number of digital stores, GaaS and Cloud platforms impacting how developers and traditional publishers address the market
- Gaming is giving birth to its very own (the future of ?) social networks through platforms such as Steam and Twitch, games such as Fortnite and Animal Crossing and debate forums such as Redditt, Twitter and Facebook among many others, leading to tech giants to invest heavily in the sector
- Impressive thrive of the Gaming industry throughout the Covid-19 crisis as billions of people were confined at home leading to:
 - i. record sales figures in H1 for existing and recently released games,
 - ii. favourable change in perception by the global investment community (e.g. Private Equity) as the sector is becoming mainstream, but
 - iii. worries on i) production delays (potentially hardware, mainly software, e.g. Ubisoft, CD Projekt) as social distancing rules and locked-down may impact the component supply chain and certain key development steps such as mocap, cross company collaboration or certifications, and ii) potential lower retail sales on games recently launched, however compensated by solid back catalogue performances
- Continuous fast surge of eSport with major events around the globe and increased visibility as i) national networks broadcast an increasing number of competitions (e.g. ESPN airing e-competitions of NBA 2K, League of Legends, Overwatch, Madden NFL matches among others) and ii) new investors / sponsors join the eSport

Macro trends and key market growth drivers (2/4)

Focus on GaaS and Cloud | Impact of new digital distribution platforms

Focus on GaaS and emergence of Cloud solutions



- Customers are now accustomed to purchasing entertainment through subscription models as illustrated by the fairly mature and still fast growing adjacent entertainment markets transformation (music, video, etc.) although all-you-can-eat subscription models are not anticipated to become dominant but to coexist with other (sometime exclusive) à-la-carte digital distribution platforms as many games do not fit that profile (e.g. F2P with MTX, cost to acquire many AAA games to build a large catalogue, extended life of video games, consumer behaviour less prone to binge playing a large number of games but to focus on certain titles, etc.)
- Large groups such as EPIC (EPIC Game Store), Microsoft (Xbox Game Pass), Apple (Apple Arcade), Sony (PlayStation Now), Ubisoft (Ubisoft Connect) and Electronic Arts (EA Play) have invested heavily in the development of GaaS platforms, digital stores / subscriptions services, etc.
- Major technological groups are building disruptive cloud platforms (e.g. Microsoft (X-cloud), Google (Stadia), Amazon (Luna, including Ubisoft Uplay Plus), NVIDIA (GeForce Now), EA (Project Atlas), Tencent + NVIDIA (START), Tencent + Huawei (GameMatrix), Facebook (Facebook Gaming) leveraging technological expertise, powerful brands and internal development capabilities to contribute proprietary content, attracting gamers less prone to invest in hardware to engage towards platform-agnostic gaming
- The largest publishers have developed their own cloud platforms to distribute their games – and are expected to open it to third parties as cloud gaming truly emerges – although they still have to use third party cloud platforms when the platform holder is the hardware manufacturer¹⁾
- 5G deployment remains limited to few large cities although on the verge of acceleration and is expected to give way to a new era of both mobile and cloud gaming (< 1% of active smartphones globally were 5G-ready in 2019, > 20% by 2022)

Constant evolution of business models as new digital players emerge and evolve



- Digital sales are booming and the weight of brick-and-mortar distribution channel is declining. As GaaS / Cloud platforms are bound to gain increasing access to customers' data
- The increasing number of well-established digital stores / cloud and GaaS services favours developers who find themselves in strong position to negotiate upfront financing / minimum guarantee and more favourable back-end rev-share agreements as they bypass traditional logistics and strike digital distribution deals directly
- Digital native distribution intermediaries also poised to enjoy fast growth as the intermediary of choice between digital stores and smaller indie studios who do not have direct access to large digital platforms
- Traditional publishers are increasingly acting as “investors”, funding studios development costs and owning IP rights which they can then leverage
- Players like Epic continues to shake up the industry with attractive financing exclusive deals to fuel their Epic Game Store (although this is expected to diminish) and through the recent announcement of Epic Games Publishing, funding 100% of studios development costs while leaving them all IP and creative freedom (against a 50/50 profit sharing post recoup)
- Increasing focus on cross-play platforms supported by giants such as EPIC, recently illustrated by Sony's \$250m investment in EPIC which is likely to yield significant benefits to Sony's nongaming activities such as music and films as Unreal finds more and more applications in films / TV series development

Macro trends and key market growth drivers (3/4)

Content, content, content | New monetization options

Content is no longer King, but the Emperor!



- Competition for exclusive content is already fierce and is becoming ever more ferocious with the rise of Cloud / GaaS service providers looking to attract and retain new consumers and gain access to their data through content differentiation
- Developers and publishers are looking to attract and engage customers over longer period of times to extend their lifetime value:
 - i. large publishers are focusing on fewer, higher quality games with greater content from launch
 - ii. games are now entering the market with significant add-ons, DLC and updates ready from launch date;
 - iii. IP is definitely at the centre of the equation, as numerous studios and publishers are i) looking to identify and secure well-known IP from other entertainment media, ii) developing sequels / series capitalizing on successful past IP or iii) revitalizing their back-catalogue and releasing retro games
- On top, the battle for content will significantly benefit developers and publishers as they are increasingly able to secure part or all of the financing costs to develop and market games through non-dilutive – potentially exclusive - financing deals
- Quality content developers are poised to attract high level of interest from large trade buyers, supporting high valuations

As gaming have become mainstream, new monetization options arise



- Change in paradigm in business models at every stage of the video game value chain supported by i) the rise and weight of mobile gaming, ii) the digitalization of the market and iii) the evolution of games from offline single-player to online multi-player games which sometimes become spaces where friends congregate and exchange, greatly expanding the time they spend on a title and favouring its monetization through supplemental paying content and MTX
- Publishers are looking to expand their audience and constantly invest in new content, features and events to keep the community engaged, allowing them to collect huge quantities of game-related / gamer-related data providing valuable insight on how to monetize their games over longer periods of time. Significant reduction in earning volatility expected as a consequence, as:
 - i. the expected longer lifetime of games is inherent to their development process in view of its future monetization and future content additions and monetization mechanics are planned well in advance of release
 - ii. monetization avenues are numerous, from F2P to payable download, from one-shot to series and now almost always include either i) in game MTX, ii) season passes, iii) payable add-ons, or iv) adds among others

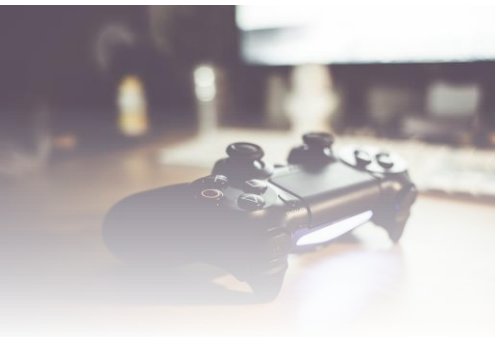
Macro trends and key market growth drivers (4/4)

Rise of eSport

The rise of eSport, a new industry in the making



- The eSport market is quickly growing and poised to surpass the \$1bn mark in 2020, up 15.7% over 2019, becoming a full industry in its own right with an ever-increasing global audience of c. 500m
- Rapid rise of the sector supported by i) its pop-culturization with international celebrities such as Drake, Michael Jordan, Kevin Durant, P. Diddy, Jennifer Lopez and more recently David Beckham among many others participating in venture rounds of teams, ii) increasing amount of coverage by national broadcasting channels (e.g. ESPN, BBC, SporTV), iii) the explosion of live streaming through platforms such as Twitch, Youtube and Facebook, iv) the more recent and growing interest from Private Equity firms (sometimes 100% dedicated to eSport and its environment)
- Already multiple sources of incomes are flooding the eSport market, starting with sponsorship (58% of 2020 estimated revenues), media rights (17%), tickets and merchandising (11%) and publisher fees (11%)
- Major publishers / eSport vendors such as Activision Blizzard, Electronic Arts, EPIC, MTG, Riot Games/ Microsoft, Take-Two, Tencent and Valve to name a few, are actively participating to i) the large influx of capital, ii) professionalization, structuration and organization of the sector as they strongly benefit from the marketing generated by and visibility of eSport events, competitions and streams, thereby extending the life of their games and improving their monetization



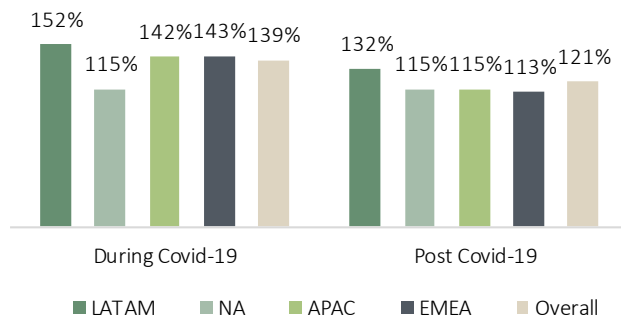
Covid-19 pandemic effects on gamer habits

Positive effects from the Covid-19 and global lockdown are expected to be permanent as demonstrated by early polls

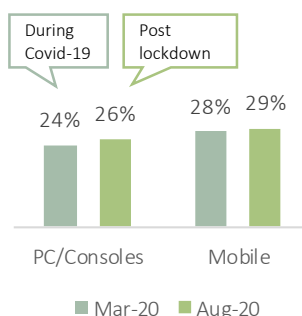
Global Covid-19 impacts on gamer habits

- Recent polls⁽¹⁾ demonstrate that the Covid-19 pandemic and consequent stay-at-home policies have boosted the global video game market as people were looking for indoor entertainment and investigating new social environment, resulting in
 - Lasting 21% increase in monthly spend by gamers post Covid-19
 - Lasting 11% increase in time spent gaming
 - 42% increase in video game streaming with 23% of respondents starting streaming during the pandemic for the first time
 - The increase in monthly spend was consistent among gamers of nearly all age groups and respondents consider this change in spend to be permanent
- Further, a second poll⁽²⁾ demonstrates the sustainability of the new playing habits as the percentage of gamers playing rather more than less further increased in August 2020 vs. March 2020 (+2% on PC; +1%) on Mobile after an already sharp increase at the beginning of the pandemic (+24%, +28% respectively in the March 2020 poll)

Monthly spend during Covid-19 global lockdown (May, June 2020) and post Covid-19 lockdown⁽¹⁾
(base 100 = pre-Covid-19)



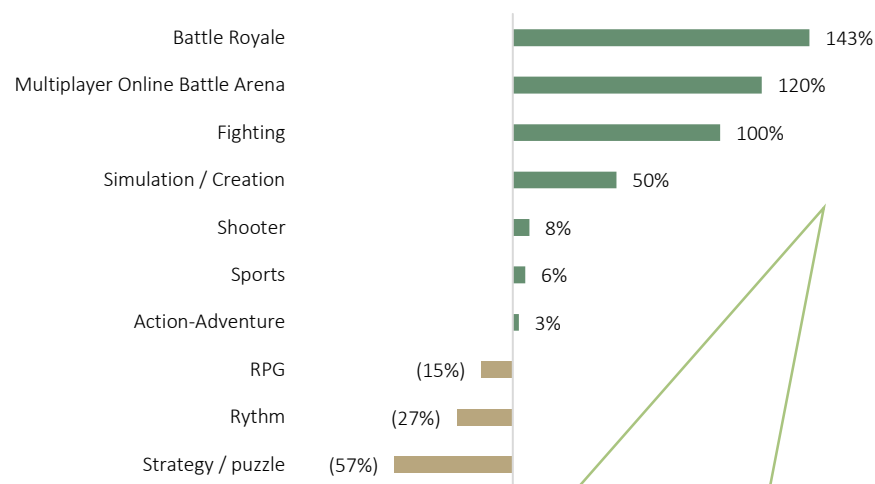
Playing more minus playing less balance⁽²⁾



Covid-19 effects on games' genre played most

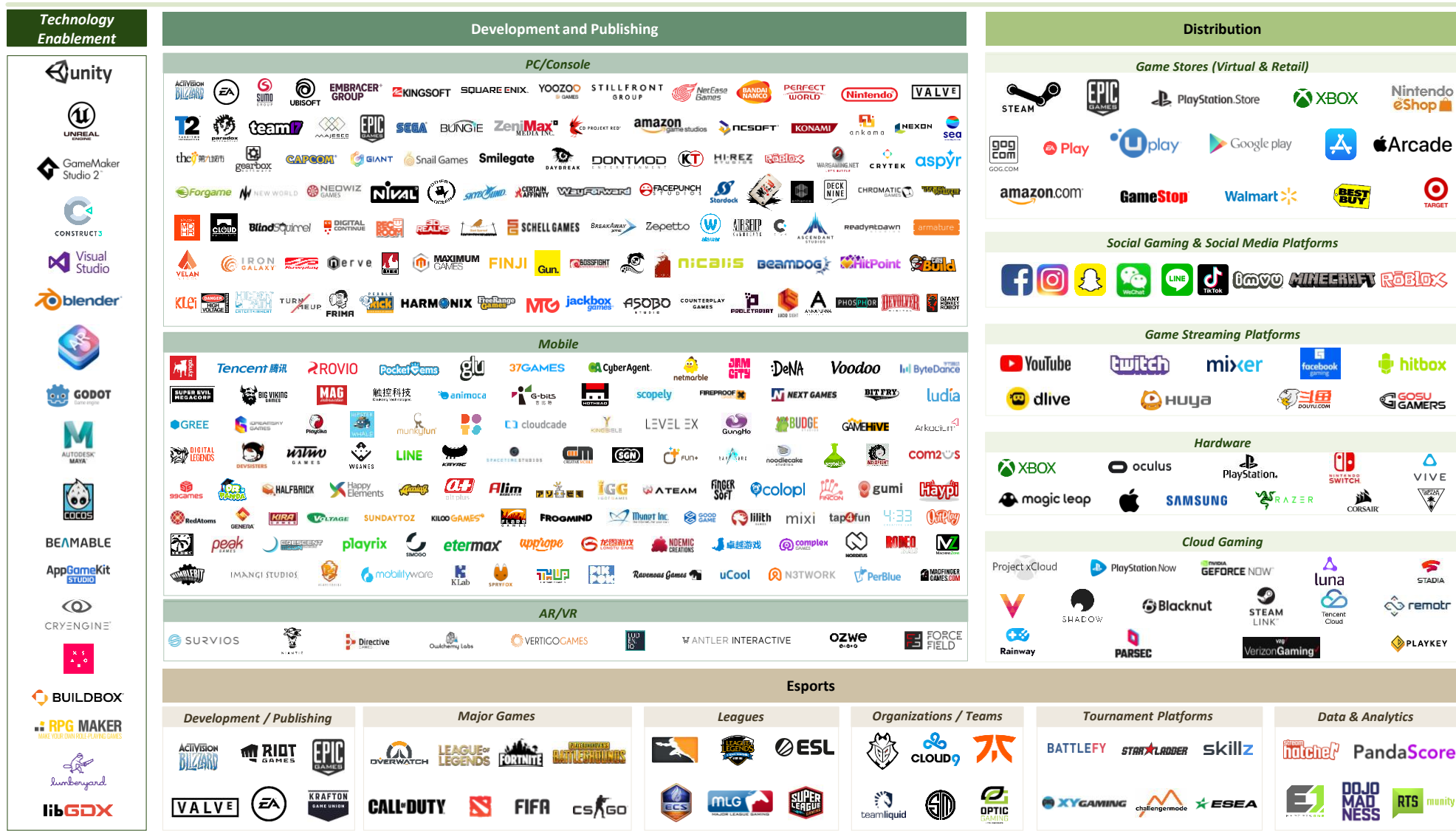
- The pandemic also affected the types of games played by gamers which favoured games with important social environment such as Battle Royale and MOBA
- The social component to games is expected to further become a key differentiator in the future, affecting developers in the way they think and create games in the long term

US survey respondents (% of change in game genre most play during Covid-19 vs. Pre-Covid-19)



These games have sharp learning curves and Covid-19 has provided time to acquire the necessary skills. Once this initial barrier to entry has been overcome, these games can be played in short sessions. It is likely that these games will see a sustainable increase in usage even in a post Covid-19 environment

Gaming market landscape



Private and confidential Note: Alantra research. Due to space limit selectively removed developers / publishers who have been acquired. Non exhaustive list – Certain logos could have been shown in multiple categories



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Introduction to Alantra & Gaming expertise

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I have never met a group of individuals as **hardworking, dedicated, honest and professional** as the bankers at Alantra. [...] Alantra gave us the confidence to maximize the value of our life's work and did it in a **record timeframe**. I couldn't be more pleased.

Matthew Karch

Co-founder and CEO of Saber Interactive

At a glance

Alantra is an independent global financial services firm focused on the mid-market with over 540 professionals worldwide

Overview

- We provide investment banking, alternative asset management and corporate portfolio advisory services to corporations, family-owned businesses, and institutional investors, with a clear focus on mid cap
- Our ambition is to always support our clients with the best advice and products and to do that with an accountable and ethical approach to business
- Our listed partnership model means that while our teams work under stringent corporate governance structures, they thrive on autonomy and are personally invested in Alantra. Which means we are all personally invested in our clients

Financial services offering



Investment Banking

- 300+ professionals
- 1,100+ deals advised since 2013
- 50% cross-border deals since 2013
- Deep expertise in 12 sectors
- Focus: Worldwide



Alternative Asset Management

- 60+ professionals
- €2.4bn AuM in direct investments
- €2.3bn AuM in wealth management
- €10.8bn funds of funds capital raised⁽¹⁾
- Focus: Europe



Credit Portfolio Advisory

- 150+ professionals
- 250+ deals advised since 2014
- €200bn transaction value since 2014
- Focus: Worldwide

Awards



Key figures



24
Offices



540+
FTEs



20
Countries



110+
Partners

Global reach

24 offices in 20 countries across Americas, Europe and Asia guaranteeing global reach with deep local presence



Core dedicated Gaming team



Cédric Laguarrigue
Senior Advisor

- 20+ years of experience in the video games industry
- Previously Chairman and CEO of Focus Home Interactive
- Starting at Focus at around 2000, serving as the company's COO, CEO and Chairman



Olivier Guignon
Managing Partner

- 25+ years of M&A experience, in charge of stock-market engineering
- Previously: Oddo & Cie, Lazard, Bignon Lebray and Gide Loyrette Nouel
- Education: ESCP Europe, Panthéon-Assas and the Barreau de Paris



Kelemen Papp
Managing Director

- 10+ years of M&A experience specialized in Technology, Media & Entertainment
- Previously: Rutberg & Company, Mooreland Partners
- Education: William & Mary, IESE Business School, University of California Berkeley



Sebastian Hougaard
Managing Partner

- M10+ years of M&A with Nordic M&A and ECM transactions
- Previously: Carnegie
- Education: . Sc. in Economics from the University of Copenhagen



Nicolas Vienot
Director

- 15+ years of M&A experience
- Previously: C.W. Downer, Bionest Partners
- Education: Institut National des Télécommunications (INT) and ESCP Europe



Allen Kogan
Director

- 10+ years of M&A experience specialized in Technology, Media & Entertainment
- Previously: Mooreland Partners
- Education: University of California Berkeley



Emmet Keating
Director

- 14+ years M&A experience in the TMT sector
- Previously: Deloitte – TMT sector team, London
- Education: University of Manchester



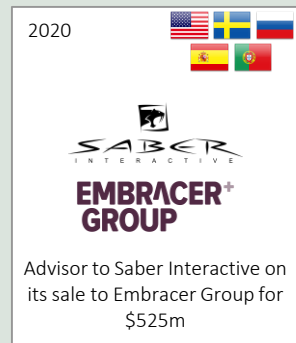
Alexandre Maroufi
Analyst

- 2+ years of M&A experience
- Previously: Bpifrance, Piper Sandler (ex-The Valence Group)
- Education: Toulouse Business School

Recent case study

Alantra advised Saber Interactive on its sale to Embracer Group for \$525m

Transaction overview



- **Target:** Saber Interactive
- **Buyer:** Embracer Group
- **Seller:** Founders
- **Closing:** April 2020

Overview of Saber Interactive




- Founded in 2001, Saber Interactive is a leading independent developer and publisher of top-quality core video games for PC, console and mobile platforms. The group capitalizes on its unique technological capabilities including its proprietary game development engine and back-end tools for live operations to develop work-for-hire projects, self-funded and co-published proprietary titles
- Headquartered in New Jersey, Saber boasts a team of c. 600 internal developers across 5 international studios located in Russia, Spain, Portugal, Belarus, and Sweden. In 2019, Saber posted revenues of \$105 million and \$62 million of EBIT

Overview of Embracer Group

- Embracer Group is a developer and publisher of PC and console games. The group has an extensive catalog of over 150 owned franchises
- With its head office in Karlstad, Sweden, Embracer Group has a global presence through its four operative groups: Koch Media/Deep Silver, THQ Nordic, Coffee Stain and Amplifier Game Invest
- The group has 26 internal game development studios engaging more than 3,000 employees and contracted employers in more than 40 countries
- Embracer Group's shares are publicly listed on Nasdaq First North Stockholm

ALANTRA's role

- Dedicated cross-border Alantra team comprised of Paris and San-Francisco-based bankers with high seniority and hands-on approach
- Extensive upfront preparation to best position the company ahead of the contemplated transaction
- Carefully crafted equity story to describe a former pure work-for-hire development studio that very rapidly emerged as the largest independent development studio with self-funding and co-publishing capabilities and an attractive portfolio of licenses and proprietary IPs
- Ran a broad process with 100+ investors across North America, Europe, and Asia
- Generated 9 Letters of Interest ("LOI") from highly international buyers of whom a limited number were selected to perform due diligence, site visits and spend ample time with management to share their vision
- Tailored management presentation content and coached performances: significant time spent with management developing the story to ensure they were well-versed
- Anticipated and resolved highly complex due diligence and transaction issues



"When my partner Andrey and I decided to raise funds for Saber, we knew absolutely nothing about raising capital and had no idea where to even begin or what our valuation would be. Fortunately we engaged Alantra to handle the process. I have never met a group of individuals as hardworking, dedicated, honest and professional as the bankers at Alantra. They educated us on the process, helped us put together the most compelling materials possible and found us a deal that we could not have dreamed possible. Alantra gave us the confidence to maximize the value of our life's work and did it in a record timeframe. I couldn't be more pleased."



Matthew Karch
Co-founder and CEO of Saber Interactive

ALANTRA Gaming credentials

Selected Gaming transactions advised by Alantra

2020

Project Precious Diamond

Ongoing share capital
reorganization
mandate

Overview

- Digital born video game distribution business
- Fast growing publishing house for 3I to AA games

2020

Project Sunrise

Ongoing share capital
reorganization
mandate

Overview

- Video game development studio and publisher
- Unique portfolio of proprietary IP
- Unique transmedia approach

2020

Project Tokyo

Ongoing share capital
reorganization
mandate

Overview

- Video game development studio
- Work-for-hire and original creation
- Working on some of world best known gaming IP

2020

Project PurePlay

Ongoing share capital
reorganization
mandate

Overview

- Developer of online and mobile games
- Extremely successful mobile IPs

2020



Introduction of NWI
to Saber Interactive

Overview

- Founded in 2010, New World Interactive is AA videogame developer of specializes in tactical First-Person-Shooter games for PC and console
- Games: Insurgency series, Day of Infamy

2020



Advisor to Saber
Interactive on its sale
to Embracer Group for
\$525m

Overview

- Founded in 2001, Saber Interactive is a leading independent developer and publisher of video games for PC, console and mobile platforms (600 people)
- Games: World War Z, MudRunner series, Halo, NBA 2K, etc.

2020



Advisor to DONTNOD
Entertainment on the
reorganization of its
capital

Overview

- Founded in 2008, DONTNOD is a listed French studio that develops AA video games in popular genres, such as adventure (Life is Strange), action (Remember Me) and RPG (Vampyr)



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Gaming sector valuation update

“

The gaming sector proved to be **extremely recession proof**, both through the 2008 financial turmoil and the 2020 covid crisis; **Valuations remain high** as the industry **continues to reinvent itself** and is poised to **support solid growth** in the years to come”

Cedric Lagarrigue
Senior Advisor at Alantra

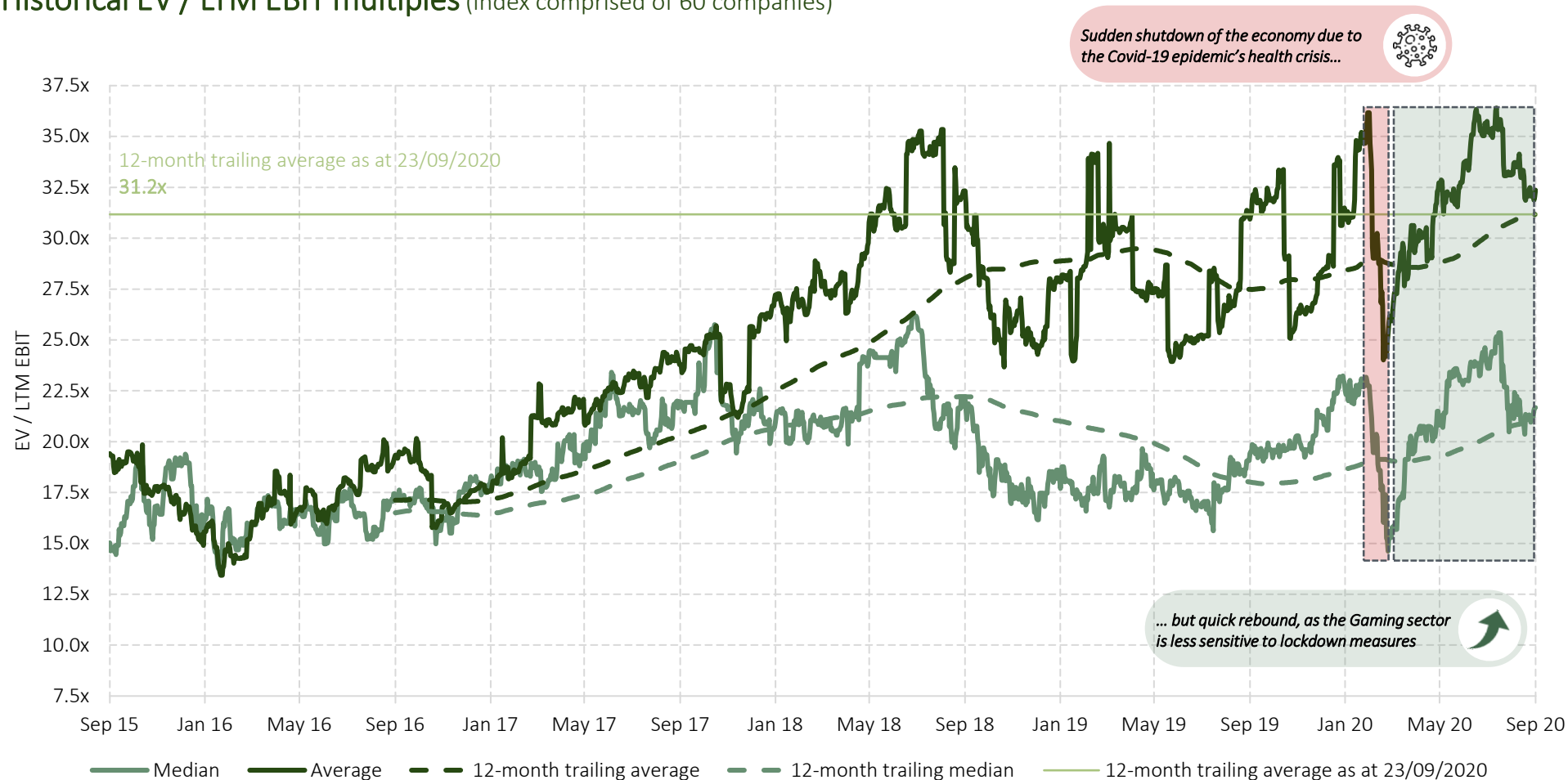
1.

Gaming valuation - Executive summary

Impact of Covid-19 on the valuation of VG companies

VG companies valuation proved relatively immune to Covid-19 with strong rebound in stock prices after initial sharp drop

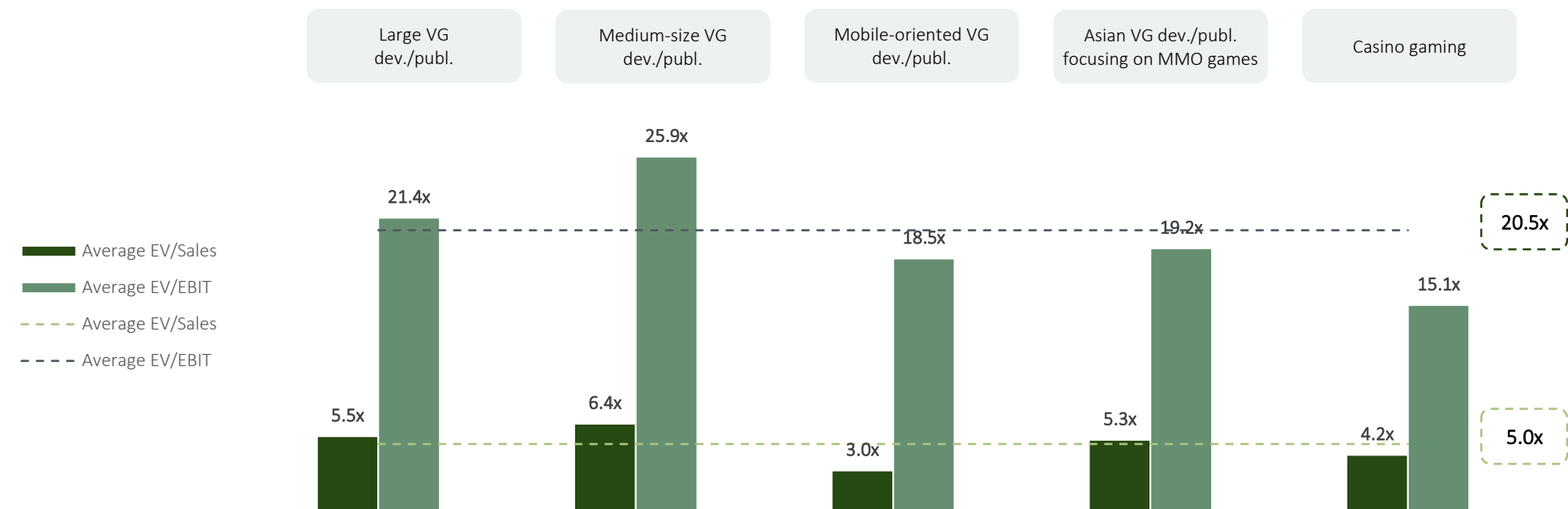
Historical EV / LTM EBIT multiples (index comprised of 60 companies)



Overview of ALANTRA's Gaming index performance

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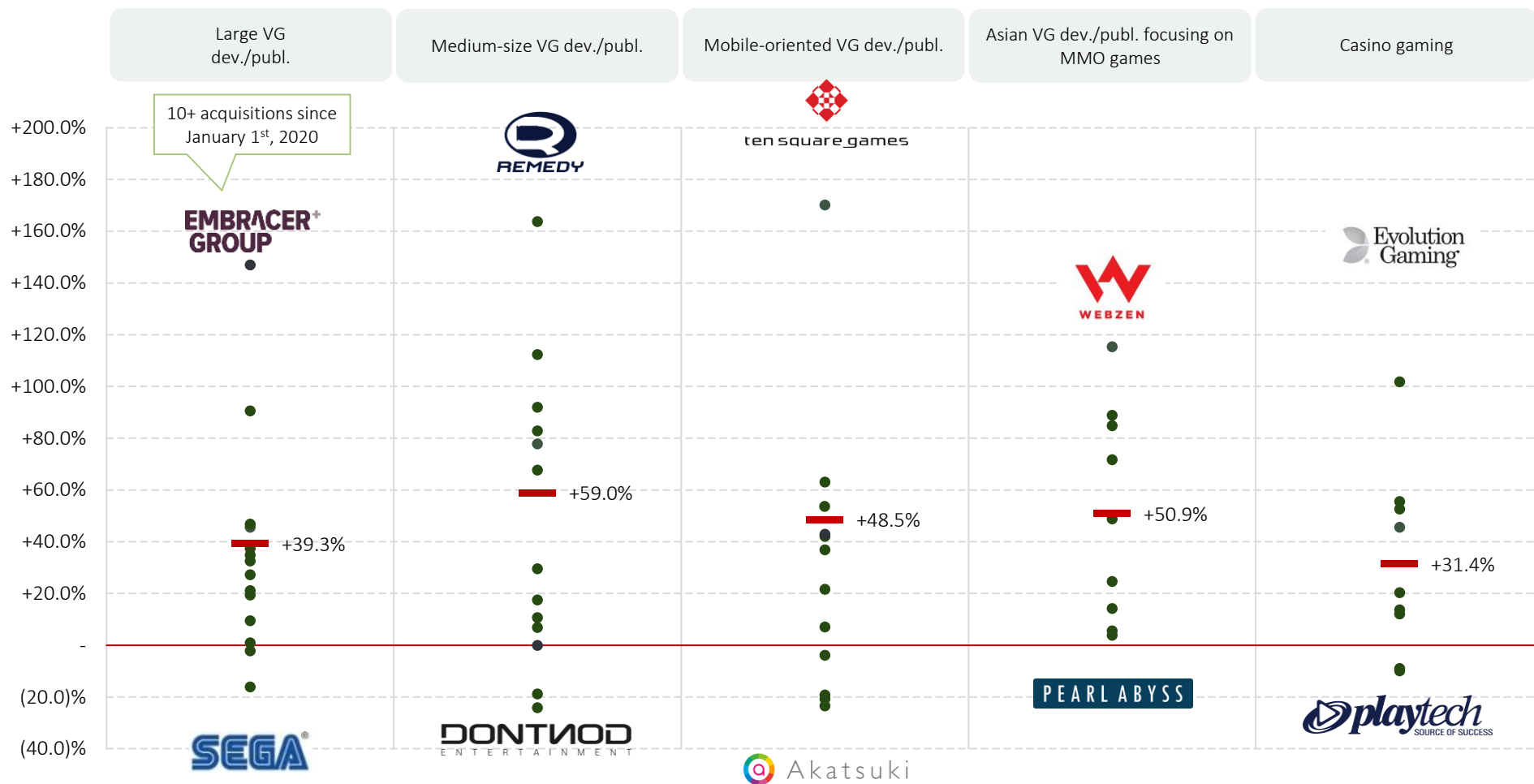
Sources: companies, Capital IQ as at 23/09/2020, Thomson Eikon

1) Based on broker estimates, mostly pre-covid crisis

Stock prices since January 1st, 2020

Share prices are up across the board fueled by the Covid-19 and very active M&A scene

Stock price performance by segment between January 1st and September 23rd, 2020




2.

Gaming valuation - Details

Gaming sample overview

Gaming sample gathers 60 companies primarily offering videogame services (development, publishing, distribution)

Main metrics

	LTM	2020 ⁽¹⁾	2021 ⁽¹⁾
Valuation metrics - Average			
EV / Sales	5.41x	4.96x	4.33x
EV / EBITDA	20.9x	16.2x	13.5x
EV / EBIT	24.1x	20.5x	16.8x
Valuation metrics - Median			
EV / Sales	4.41x	3.89x	3.38x
EV / EBITDA	16.5x	15.5x	12.4x
EV / EBIT	20.1x	18.8x	16.0x
Operational metrics - Average			
Sales growth	+15.8%	+15.2%	+12.7%
EBITDA margin	23.9%	28.3%	29.1%
EBIT margin	19.6%	22.9%	25.0%
Operational metrics - Median			
Sales growth	+12.1%	+7.9%	+11.2%
EBITDA margin	25.2%	27.6%	28.6%
EBIT margin	16.7%	23.1%	23.7%

Constituents



Private and confidential

Sources: companies, Capital IQ as at 23/09/2020, Thomson Eikon

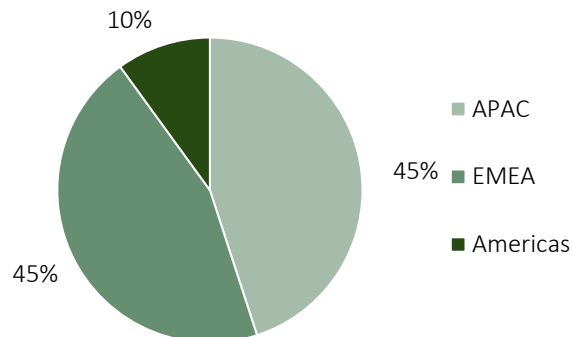
1) Based on broker estimates, mostly pre-covid crisis

Gaming sample statistics

Most listed companies in our set are headquartered in APAC with an EV ranges between €100m and €2bn

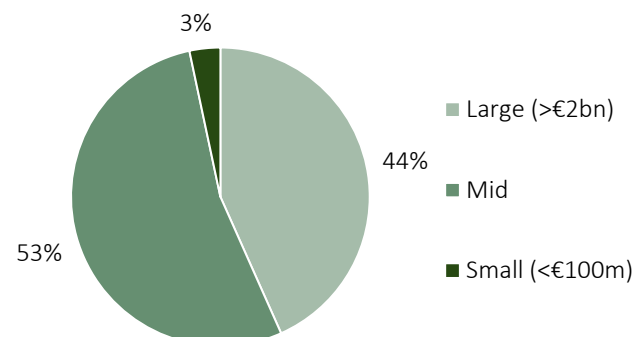
Geography (HQs)

> 90% of companies in our set are HQd in APAC or Europe (45% each)



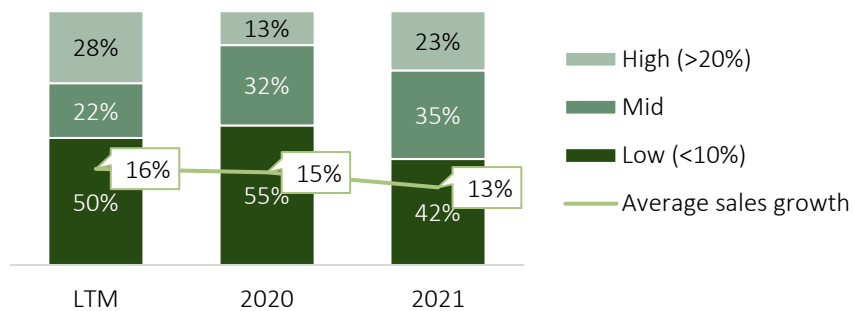
Size (Enterprise Value)

> Our set is well balanced between mid-size and large companies



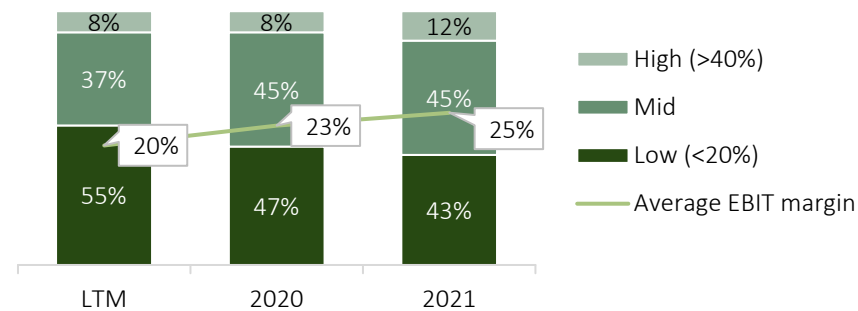
Sales growth ⁽¹⁾

> The majority of companies will enjoy double digit growth



EBIT margin ⁽¹⁾

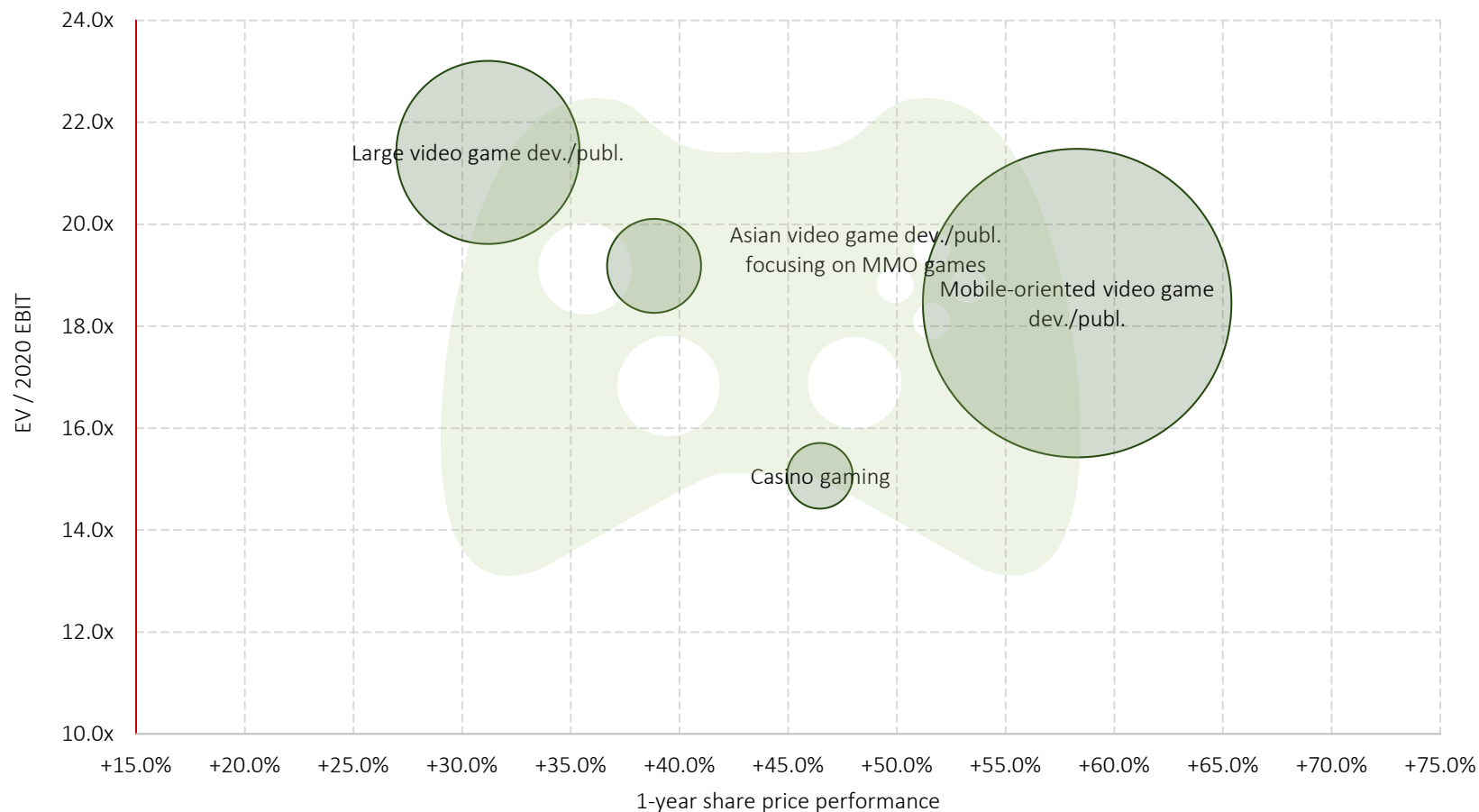
> Most of companies were low performers but expect to generate over 25% of EBIT margin by 2021



Share price performance & valuation by segment

All segments are showcasing a positive 1-year SPP of at least 25%

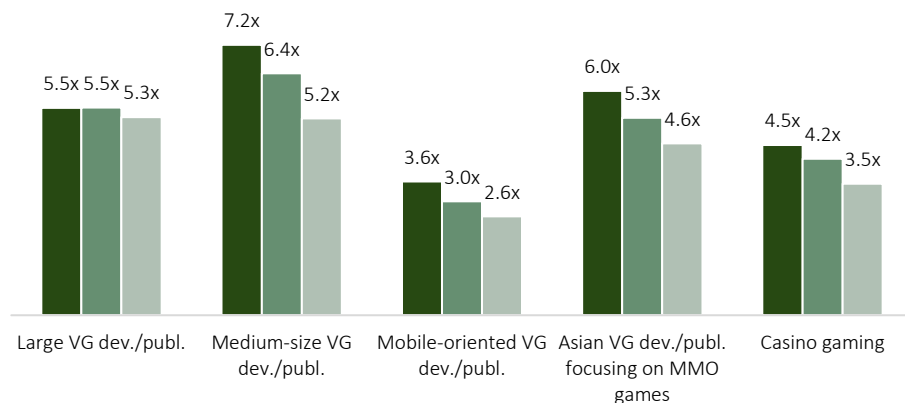
Average EV / EBIT vs. 1-year share price performance



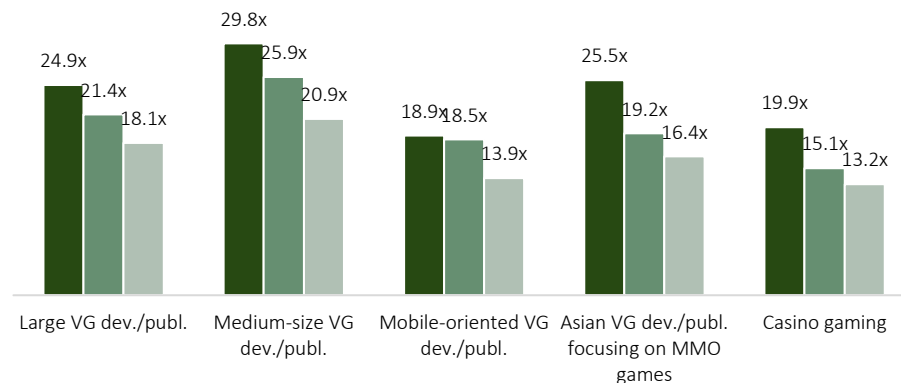
Gaming valuation and financials by segment

The medium-size VG dev./publ. is the fastest growing the highest valued segment based on LTM metrics

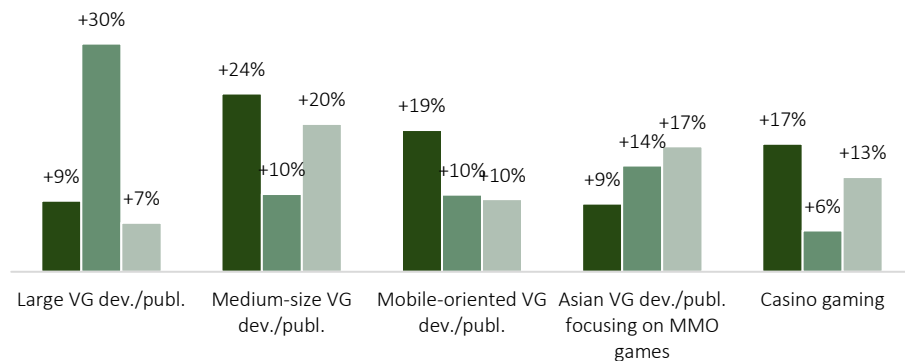
Average EV / Sales multiples by segment



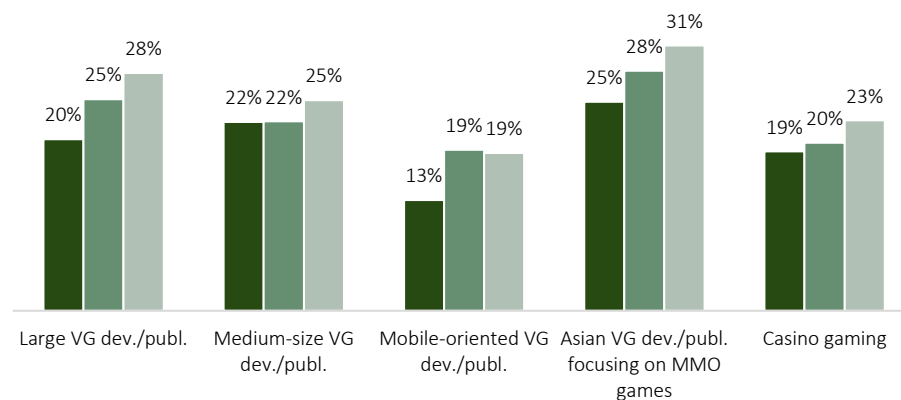
Average EV / EBIT multiples by segment



Average Sales growth by segment



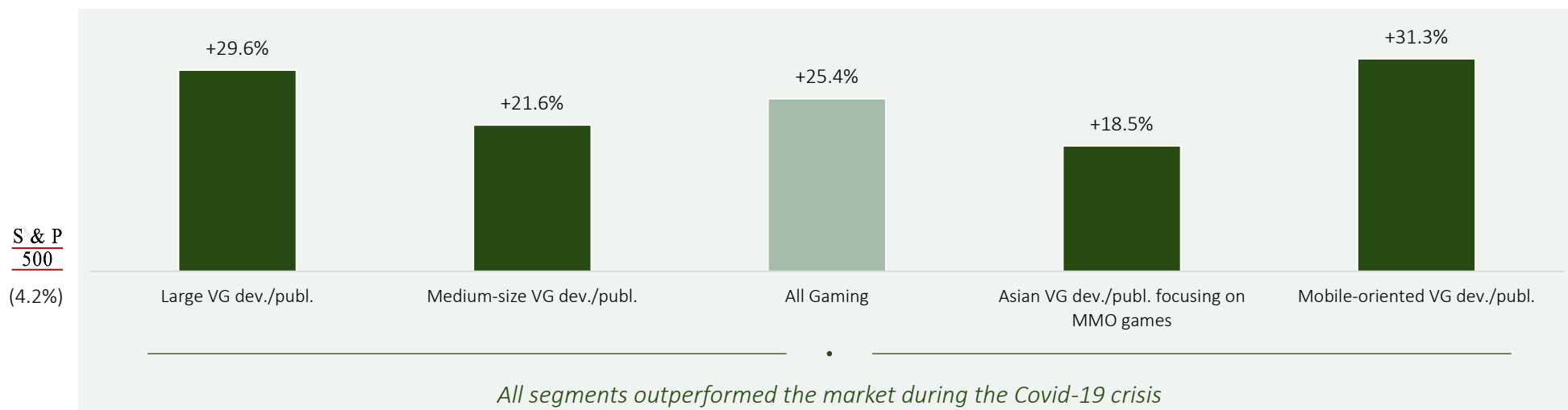
Average EBIT margin by segment



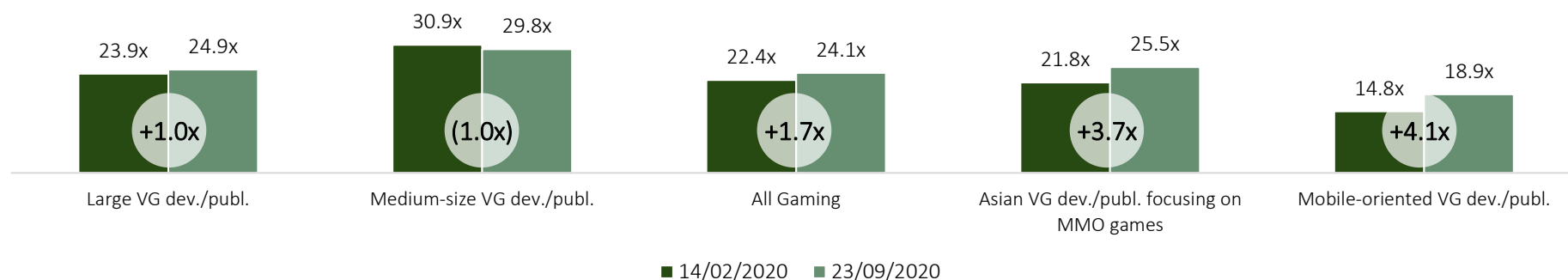
Impact of Covid-19 on VG companies' valuations

Our Gaming index outperformed the S&P 500 since Covid-19 onset (+19.1%) – Valuations now above pre-covid levels

Stock price rebound by segment since 14/02/2020 (Covid-19 onset)



Average EV / LTM EBIT pre and post Covid-19



Recent transactions in the last twelve months

Most recent Gaming transactions support average multiples of 3.4x Sales N-1 and 11.7x EBIT N-1

Date	Target	Target country	Business description	Buyer	Acquirer country	EV (€m)	%	EV/ Sales	EV/ EBITDA	EV/ EBIT
Sep-20	Pipeworks Inc	United States	Developer and co-developer as well as provider of live operations to publishers (100 games, 50 partners, 130 FTEs)	Sumo Group Plc	United Kingdom	85	To fill in	5.2x	23.8x	NA
Sep-20	Nanobit d.o.o.	Croatia	Developer of mobile games, focusing on narrative lifestyle simulation RPG targeting a female audience (e.g. Tabou Stories, My Story)	Stillfront Group AB (publ)	Sweden	125	100%	2.1x	6.4x	10.8x
Aug-20	4A Games Limited	Malta	Developer of AAA PC and console games behind the development of the Metro franchise	Saber Interactive, Inc.	United States	60	100%	3.6x	NA	5.9x
Aug-20	Deca Live Operations GmbH	Germany	Indie publisher completely focused on live operations and games as a service specializes in F2P games on browser, mobile, and PC platforms	Embracer Group AB	Sweden	88	100%	4.4x	NA	12.6x
Jul-20	Focus Home Interactive Société anonyme	France	Publisher of AA games mainly for PC and consoles. Also provides game development services since the acquisition of Deck13	FLCP & Associés	France	194	36%	1.4x	9.9x	10.1x
Jun-20	DECK13 Interactive GmbH	Germany	Developer of AA games for PC and consoles (e.g. The Surge series), also engaged in publishing and providing localization, QA, marketing, PR and distribution services	Focus Home Interactive Société anonyme	France	7	100%	1.3x	NA	NA
Jun-20	Peak Oyun Yazilim ve Pazarlama AS	Turkey	Developer of multiplayer mobile games (Toy Blast and Toon Blast)	Zynga Inc.	United States	1,619	100%	3.0x	NA	NA
Apr-20	Candywriter, LLC	United States	Developer and publisher of mobile games, which mainly focuses on casual and mash-up games (e.g. BitLife)	Stillfront Group AB	Sweden	180	100%	7.5x	NA	13.0x
Feb-20	Saber Interactive, Inc.	United States	Developer and publisher of interactive AA+ video games across PC, console and mobile platforms	Embracer Group AB	Sweden	485	100%	5.0x	8.5x	8.5x
Feb-20	gamigo AG	Germany	Publisher and distributor of online and mobile games (e.g. ArcheAge, Last Cahos, Ironsight)	Media and Games Invest plc	Malta	110	47%	1.9x	7.0x	20.4x



PC/Console



Mobile













Private and confidential

Sources: companies' websites, press releases, annual reports, Mergermarket, Capital IQ as at 23/09/2020

Note: only transactions with an EV multiple are disclosed, EV include potential earn-out mechanisms

Recent transactions in the last twelve months

Most recent Gaming transactions support average multiples of 3.4x Sales N-1 and 11.7x EBIT N-1

Date	Target	Target country	Business description	Buyer	Acquirer country	EV (€m)	%	EV/ Sales	EV/ EBITDA	EV/ EBIT	
Feb-20	XLGAMES INC.	South Korea	Developer of MMORPG and other video games (e.g. ArcheAge)	Kakao Games Corp.	South Korea	91	49%	3.3x	16.5x	21.8x	
Jan-20	Funcom SE	Netherlands	Developer and publisher of games for PC and consoles (e.g. Conan Exiles and Secret World Legends)	Tencent Cloud Europe B.V.	Netherlands	134	71%	5.5x	NA	NA	
Jan-20	Storm8, Inc.	United States	Developer of mobile games and publisher of free-to-play mobile games (e.g. Restaurant Stroy franchise, Dragon Stroy, Bubble Mania)	Stillfront Group AB	Sweden	358	100%	3.2x	6.2x	6.4x	
Nov-19	Sold Out Sales & Marketing Limited	United Kingdom	Publisher and distributor of video games (e.g. No Straight Roads, Moving Out)	Enad Global 7 AB (ex Toadman Interactive)	Sweden	25	100%	0.7x	8.7x	8.7x	
Aug-19	Milestone Srl	Italy	Developer and publisher of racing videogames for consoles and PCs (e.g. Monster Energy series, Ride, MotoGP 20, MXGP)	Koch Media GmbH	Austria	74	100%	2.6x	4.9x	7.9x	
Aug-19	Catalis Plc	United Kingdom	Game tester and developer (under Testronic) and publisher of PC and console games (under Curve Digital)	NorthEdge Capital LLP	United Kingdom	100	To fill in	2.1x	12.8x	13.8x	
Dec-18	Small Giant Games Oy	Finland	Developer of mobile games (e.g. Empires & Puzzles)	Zynga Inc.	United States	490	80%	4.3x	NA	NA	
Nov-18	Coffee Stain Holding AB/Coffee Stain Publishing AB	Sweden	Developer and publisher of video games (e.g. Midnight Ghost Hunt, Songs of Conquest, Satisfactory)	Embracer Group AB	Sweden	83	100%	7.4x	NA	12.1x	
May-18	Cyanide SA	France	Developer and publisher of video games for PC and consoles (e.g. Pro Cycling Manager series, Call of Cthulhu)	BigBen Interactive	France	20	100%	3.3x	NA	NA	
Nov-17	Big Fish Games, Inc.	United States	Developer and distributor of games for PCs and mobile devices	Aristocrat Technologies, Inc.	United States	834	100%	2.2x	11.9x	NA	
						Average			3.5x	10.6x	11.7x
						Median			3.2x	8.7x	10.8x



PC/Console



Mobile

Private and confidential

Sources: companies' websites, press releases, annual reports, Mergermarket, Capital IQ as at 23/09/2020
Note: only transactions with an EV multiple are disclosed, EV include potential earn-out mechanisms



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Appendices

1.

Market structure & dynamics

A vast and global market

Gaming is the #1 entertainment industry globally with 2.5bn gamers (33% of the global population)

WORLDWIDE

\$152.1bn 2019 revenues

+9.6% 2018-19' growth

Total population	7,672m	100%
Online pop.	4,119m	54%
Gamers	2,514m	33%

NORTH AMERICA

\$39.6bn 2019 revenues

+11.7% 2018-19' growth

Share of global
gaming market
revenue

26.1%

Total population	366m	100%
Online pop.	308m	84%
Gamers	198m	54%

WESTERN EUROPE

\$25.7bn 2019 revenues

+12.3% 2018-19' growth

Share of global
gaming market
revenue

16.9%

Total population	410m	100%
Online pop.	364m	89%
Gamers	216m	53%

MIDDLE EAST & AFRICA

\$4.8bn 2019 revenues

+11.0% 2018-19' growth

Share of global
gaming market
revenue

3.2%

Total population	1,755m	100%
Online pop.	658m	37%
Gamers	360m	21%

LATIN AMERICA

\$5.6bn 2019 revenues

+11.1% 2018-19' growth

Share of global
gaming market
revenue

3.7%

Total population	657m	100%
Online pop.	435m	66%
Gamers	253m	39%

EASTERN EUROPE & RUSSIA

\$4.2bn 2019 revenues

+7.4% 2018-19' growth

Share of global
gaming market
revenue

2.8%

Total population	353m	100%
Online pop.	274m	77%
Gamers	156m	44%

ASIA PACIFIC

\$72.2bn 2019 revenues

+7.6% 2018-19' growth

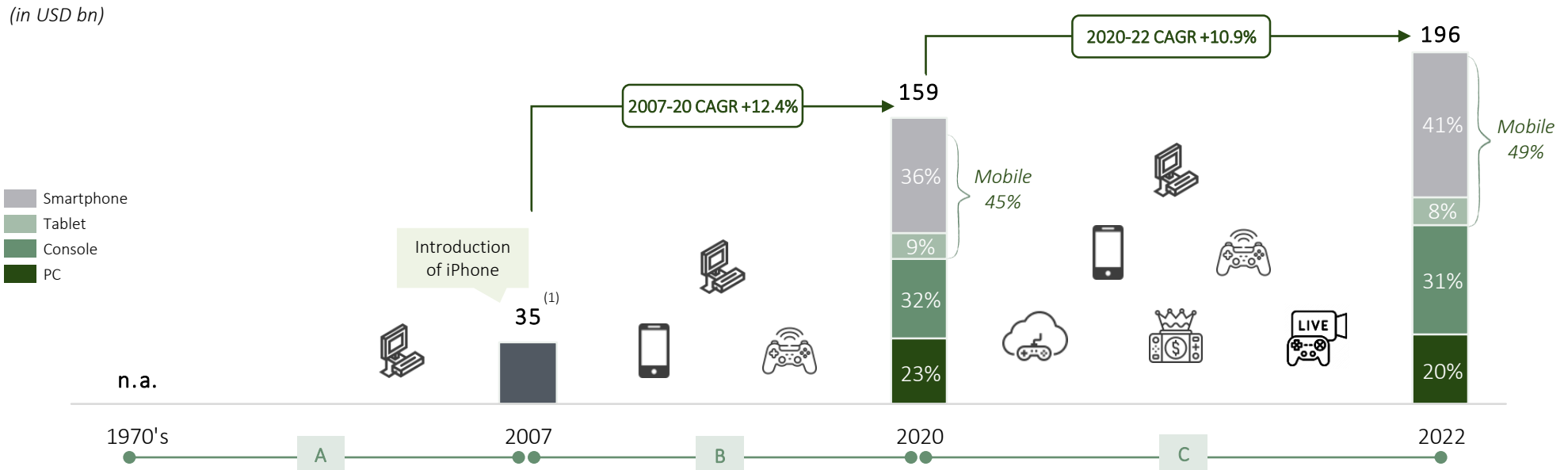
Share of global
gaming market
revenue

47.4%

Total population	4,131m	100%
Online pop.	2,081m	50%
Gamers	1,331m	32%

Development of the global Gaming market

A c. \$159bn market in 2020, expected to grow at an 10.9% CAGR by 2022 with strong growth across all platforms



A

- It took more than 35 years for the global games business to grow to \$35bn in 2007, the year that the iPhone was introduced

B

- The videogame industry has grown at +12.4% over the 2007-2020 period, adding an extra \$124bn in revenues to reach \$159bn worldwide in 2020, dominated by mobile and tablets (49%)
- The uptake of smartphones and the development of personal computer have been key contributors to the accelerated growth of the gaming market in terms of both engagement and revenues

C

- The videogame market will pursue its growth at a +10.9% CAGR over the 2020-2022 period supported by:
 - Mobile gaming / Cloud gaming
 - Gaming As A Service (GAAS) replacing progressively one-shot game purchase
 - E-sports

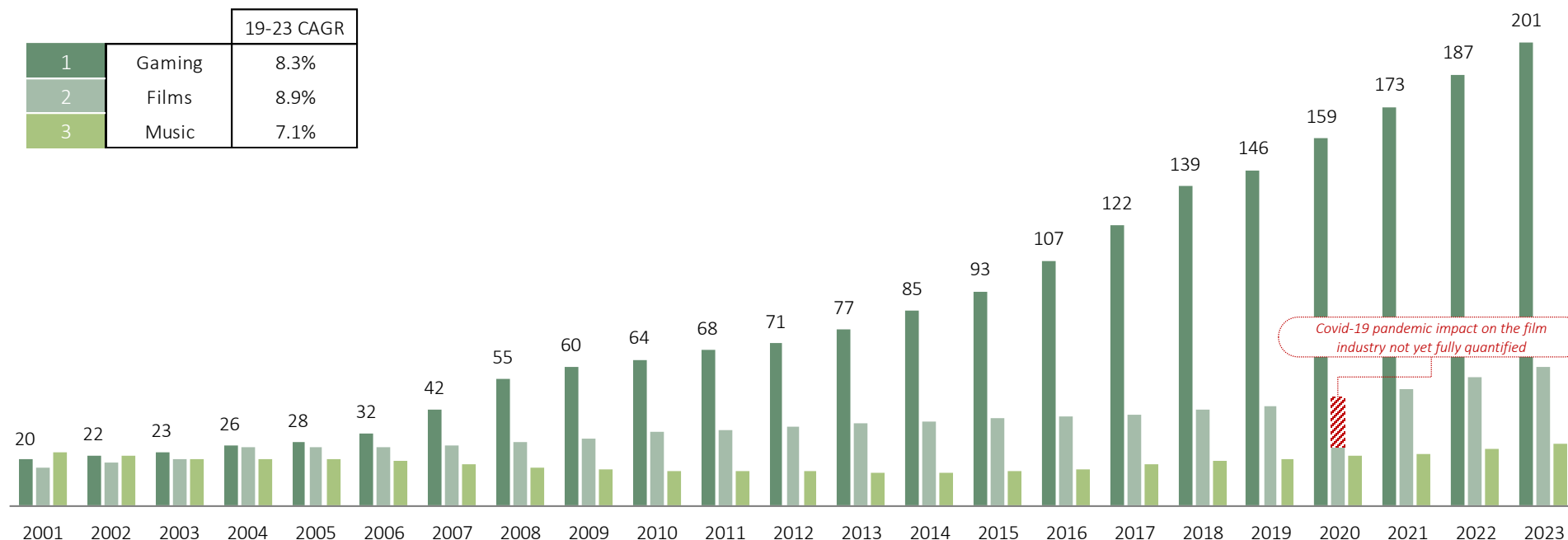
Growth in Gaming is dramatically outpacing its analogs

The video game market is already 2.3x larger than movies and music combined and continues to grow at a faster pace

2018-2021 CAGR comparison

		19-23 CAGR
1	Gaming	8.3%
2	Films	8.9%
3	Music	7.1%

Figures in \$bn



Covid-19 pandemic impact on the film industry not yet fully quantified



Gross video game sales have outweighed box office revenues for over two decades and totaling \$146bn in 2019, i.e. over 3.4x the global film box office and 7.1x the music market. The video game industry has consistently earned more revenue than big-screen film and music industries combined for the past decade



Video game market is expected to grow at a 4-year CAGR of 8% between 2019 and 2023 and +9.3% growth in 2020 vs. 2019 compared to a sharp decline expected for the film industry due to the coronavirus pandemic and a +5.4% growth for the music industry

2.

Gaming valuation – Methodology

Methodology & Definitions

Overview of the approach & Definitions of terms and abbreviations used in this report

Methodology

Segments definition

- **Large video game developers/publishers** correspond to integrated publishers with a market capitalization over €2bn
- **Medium-sized video game developers/publishers** correspond to integrated publishers as well as more specialized companies such as development studio or publisher with a market capitalization below €2bn
- **Mobile-oriented video game developers/publishers** correspond to integrated publishers mainly focused on the mobile segment (mostly free-to-play model)
- **Asian video game developers/publishers focusing on MMO games** correspond to Asian integrated publishers mainly focused on Massive-Multiplayer-Online games (mostly browser-based game)
- **Online casino gaming** corresponds to online casino companies and developer of software for slot machine and online platforms (companies which generated most part of revenues from sports betting, poker and retail have been excluded)

Time periods

- Refresh date for Market Capitalizations and Enterprise Values is September 23rd, 2020
- EV / LTM corresponds to the Enterprise Value as of the refresh date divided by the latest available 12-month period aggregates of the company
- EV / 2020 corresponds to the Enterprise Value as of the refresh date divided by the 2020 calendar year aggregates
- EV / 2021 corresponds to the Enterprise Value as of the refresh date divided by the 2021 calendar year aggregates

Retained companies

- The companies featuring within the data driving this report are typically listed on global stock markets and typically generate annual revenue between €18m and €51bn
- For consistency purposes and in order to avoid any analytical bias, we have only included in our segments and analyses companies for which LTM, 2020 and 2021 data is available (Sales, EBIT)

Glossary

- **2020**: consensus estimates provided by analysts for the calendar year 2020
- **2021**: consensus estimates provided by analysts for the calendar year 2021
- **CAGR**: Compound Annual Growth Rate
- **Dev.:** Developers
- **EV**: Enterprise Value
- **F2P**: Free-to-play
- **LTM**: Last Twelve Months; correspond to the latest available 12-month period (which may differ from one company to the other)
- **MMO**: Massive-Multiplayer-Online
- **Publ.:** Publishers
- **SPP**: Share price performance
- **VG**: Video game

Gaming – Data by segment

Large video game dev./publ.	Average data	LTM	2020	2021
	Valuation metrics			
	EV / Sales	5.5x	5.5x	5.3x
	EV / EBITDA	21.1x	15.7x	14.8x
	EV / EBIT	24.9x	21.4x	18.1x
	Operational data			
	Sales growth	+9.5%	+30.4%	+6.5%
	EBITDA margin	24.8%	33.6%	33.0%
	EBIT margin	20.3%	25.1%	28.1%

Constituents

Activision Blizzard; Electronic Arts; Take-Two Interactive Software; Nintendo; BANDAI NAMCO; Ubisoft; CD Projekt; Square Enix; Konami; Embracer; Capcom; Sega; Paradox Interactive; Keywords Studios; GungHo Online Entertainment

15 constituents

Medium-size video game dev./publ.	Average data	LTM	2020	2021
	Valuation metrics			
	EV / Sales	7.2x	6.4x	5.2x
	EV / EBITDA	28.5x	21.6x	16.4x
	EV / EBIT	29.8x	25.9x	20.9x
	Operational data			
	Sales growth	+23.8%	+10.4%	+19.7%
	EBITDA margin	26.4%	26.4%	28.1%
	EBIT margin	22.4%	22.4%	24.9%

Constituents

Team17 Group; Frontier Developments; Codemasters; Sumo Group; Marvelous; Remedy Entertainment; Digital Bros; Focus Home Interactive; Atari; NACON; EG7; Don't Nod Entertainment; PlayWay; 11 bit studios

14 constituents

Mobile-oriented video game dev./publ.	Average data	LTM	2020	2021
	Valuation metrics			
	EV / Sales	3.6x	3.0x	2.6x
	EV / EBITDA	16.1x	13.4x	11.4x
	EV / EBIT	18.9x	18.5x	13.9x
	Operational data			
	Sales growth	+18.9%	+10.3%	+9.7%
	EBITDA margin	16.2%	22.1%	21.8%
	EBIT margin	13.1%	19.1%	18.7%

Constituents

Tencent; NetEase; Zynga; YOOZOO Games; Glu Mobile; COLOPL; Ten Square Games; DeNA; Akatsuki; Rovio Entertainment; G5 Entertainment; CyberAgent; GREE

13 constituents

Gaming – Data by segment

Asian video game dev./publ. focusing on MMO games	Average data	LTM	2020	2021
	Valuation metrics			
	EV / Sales	6.0x	5.3x	4.6x
	EV / EBITDA	22.1x	18.9x	14.4x
	EV / EBIT	25.5x	19.2x	16.4x
	Operational data			
	Sales growth	+9.1%	+14.2%	+16.7%
	EBITDA margin	27.7%	31.1%	33.8%
	EBIT margin	24.8%	28.4%	31.4%

Constituents

NEXON; Ncsoft Corporation; Perfect World; Netmarble Corporation; Koei Tecmo Holdings; Pearl Abyss; Webzen; Wemade; Com2uS Corporation

9 constituents

Casino gaming	Average data	LTM	2020	2021
	Valuation metrics			
	EV / Sales	4.5x	4.2x	3.5x
	EV / EBITDA	13.8x	11.8x	9.7x
	EV / EBIT	19.9x	15.1x	13.2x
	Operational data			
	Sales growth	+17.1%	+5.5%	+12.6%
	EBITDA margin	25.9%	28.5%	29.7%
	EBIT margin	18.9%	19.9%	22.6%

Constituents

Aristocrat Leisure; DoubleUGames; Scientific Games Corporation; 888 Holdings; Evolution Gaming Group; Gamesys Group; Betsson; Playtech; LeoVegas

9 constituents



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