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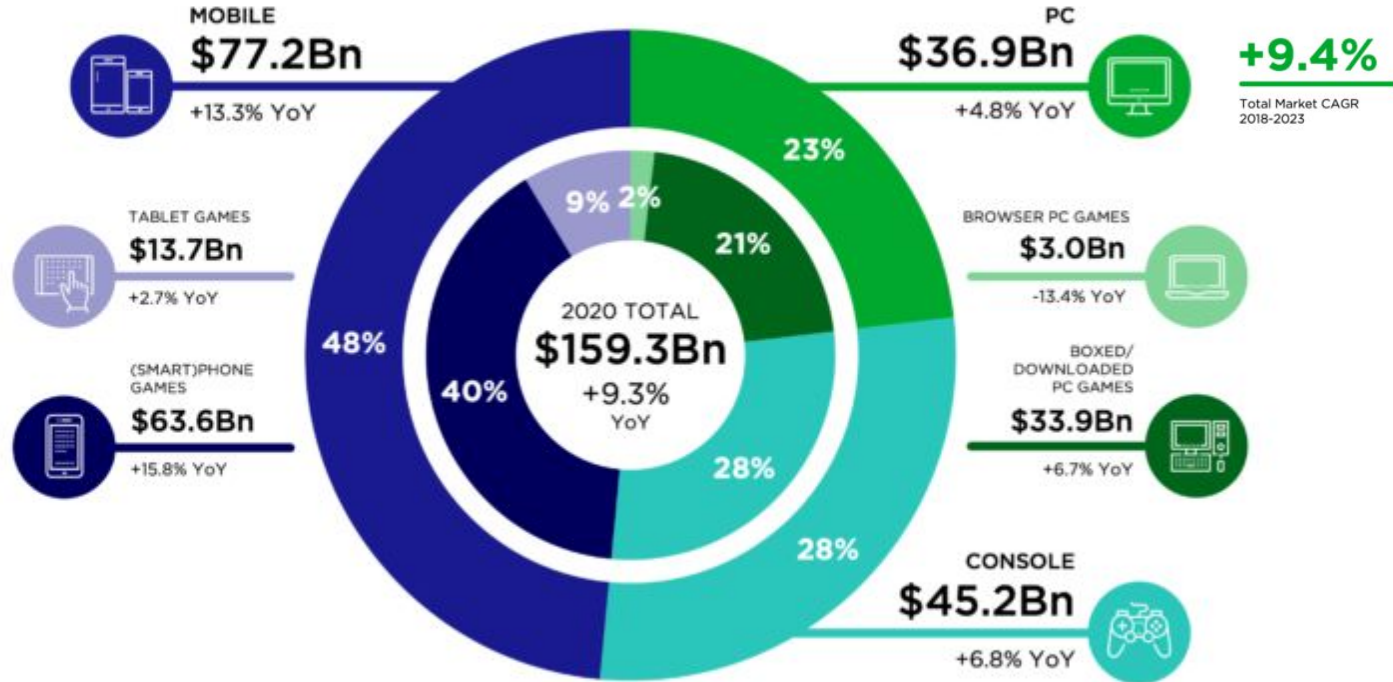
Amplify Games, Inc. Market Analysis

Prepared by Skylabs LLC

Market overview

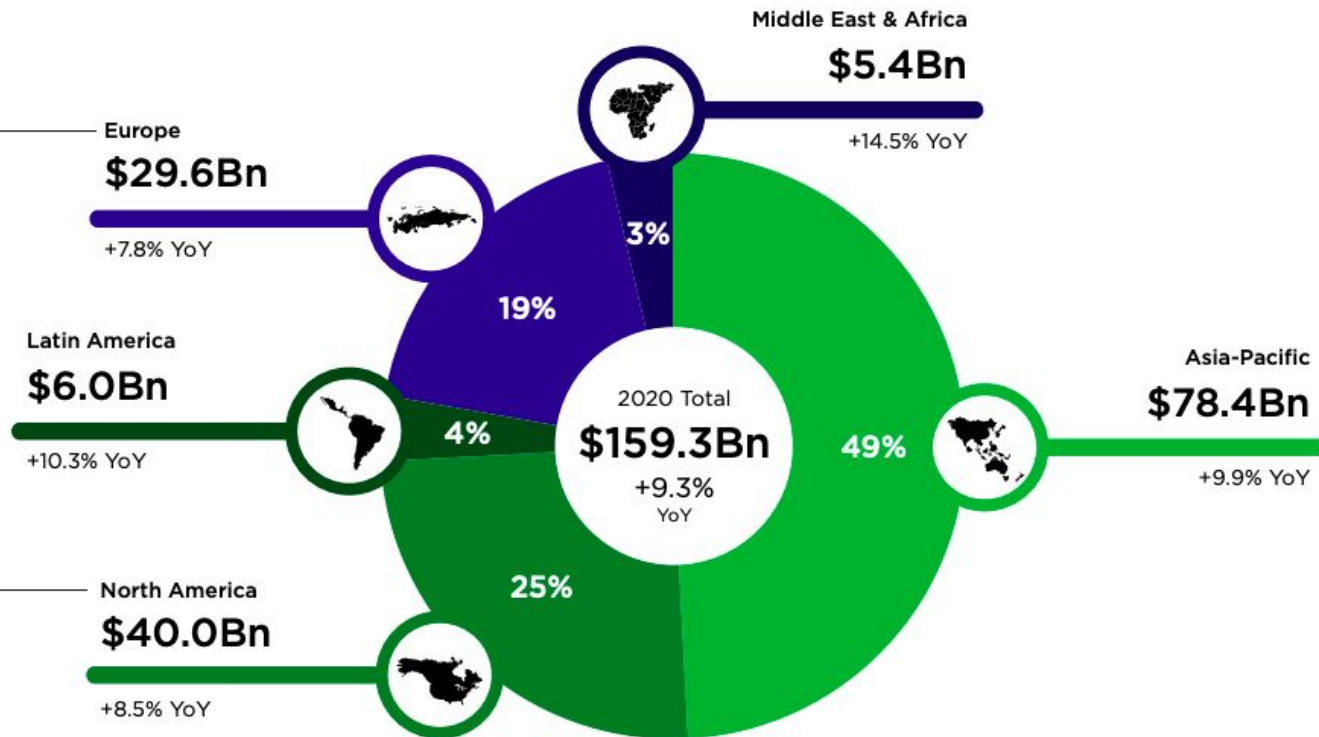


Global gaming market in 2020



Market size, by region

Both Europe and North America are very mature gaming markets, so their lower growth rates, relative to more emerging markets, makes sense.



3.4B*

Gamers
worldwide

35%

Only Mobile
Gamers

80%

Digital revenue
was free to play

3.7

Ads per gaming
session

\$844M

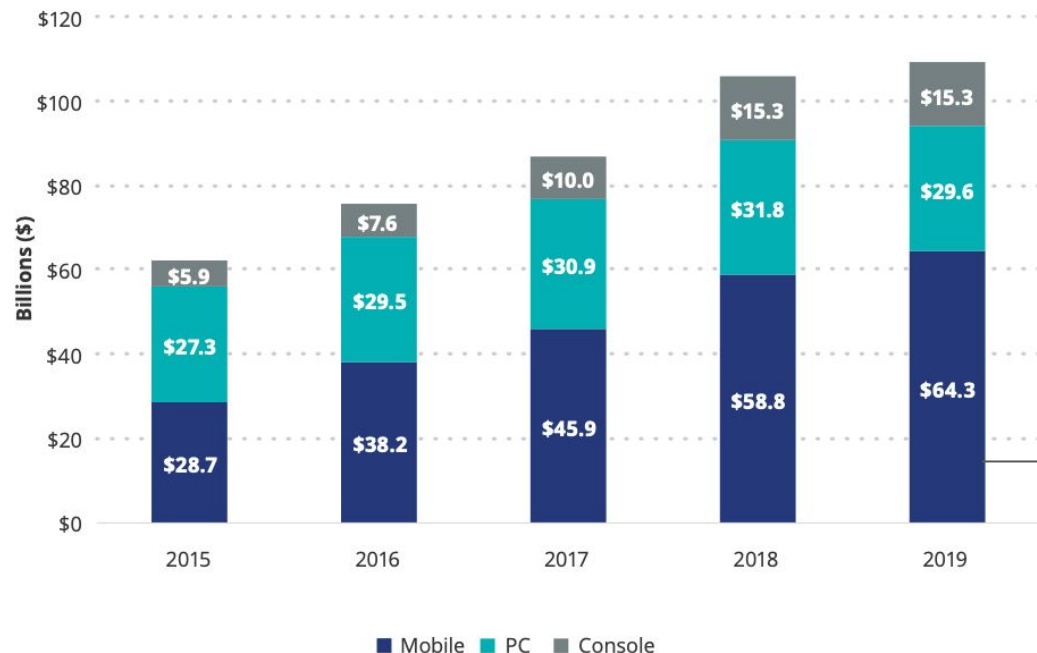
Brand spend in
Esports (2020)

4:36

Ave. gameplay
session (h:mm)

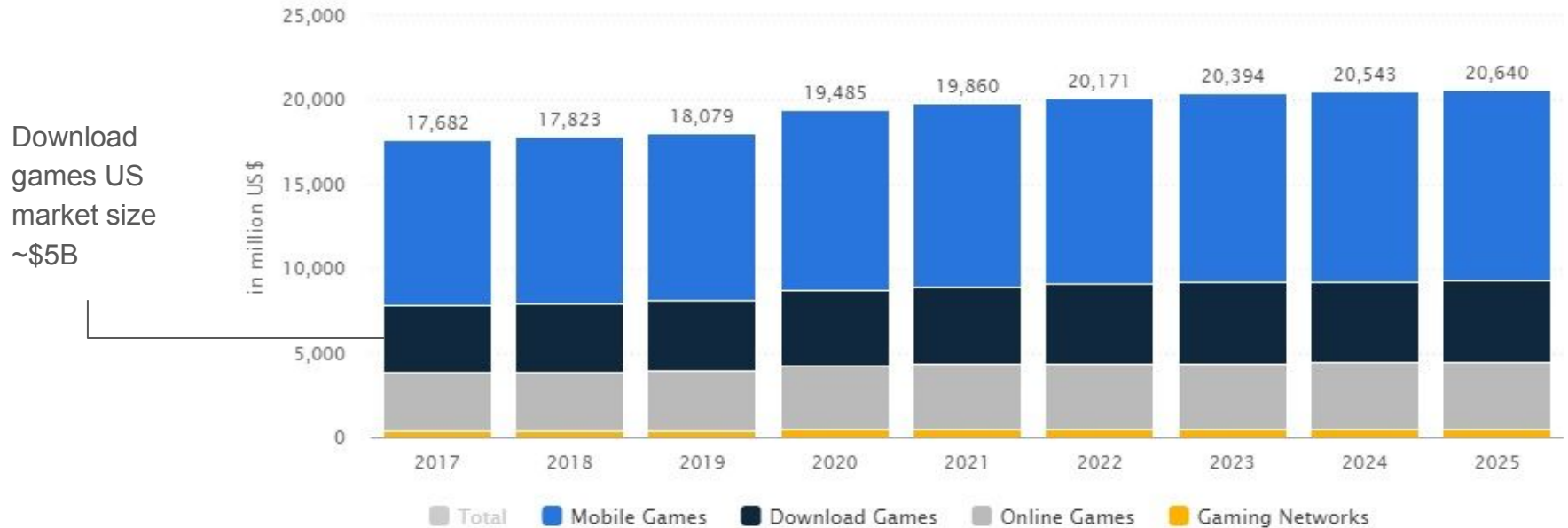
Digital gaming is growing

Gaming is exploding and gaming revenue currently are PC, console and mobile.



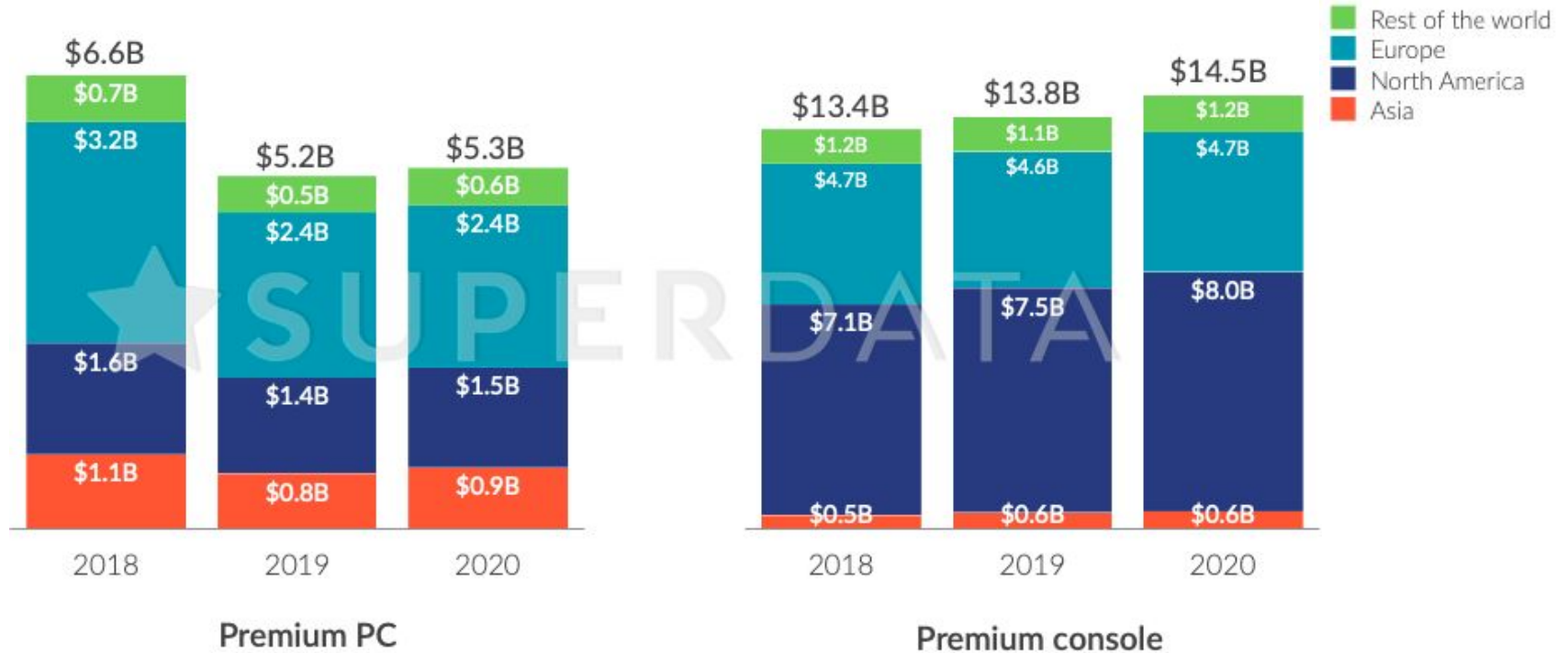
Since 2015, mobile revenues have grown at an annualized rate of 22%, outpacing the total gaming revenues growth rate of 15%

Video games revenue in the U.S.



Source: Statista (Forecast adjusted for expected impact of COVID-19), July 2020

Premium games market and forecast by region



Free-to-play market and forecast by region



Trends in gaming



Gaming is a mainstream entertainment option

- Increasingly, consumers are bucketing a subscription to a video game as part of their overall entertainment spending.
- Driven by mobile/social games, overall player demographics have changed dramatically and developers (and advertisers) have taken notice.
- Many games are now free to play or try. This has been a big shift away from games that were once only available for purchase or by subscription.
- As millennials have grown into adults, they have continued to spend time and money on playing video games. According to the Entertainment Software Association, 65% of American adults play video games.
- The past decade has seen gaming truly entering the mainstream. It is increasingly difficult to find someone between the ages of 12 and 30 who doesn't play games especially in Western and Asian markets.

Gaming, the new social network

- Gaming platforms like Steam and Twitch have organically grown into fully fledged, fully functional social networks.
- Ten years ago, younger generations were leaving behind traditional media for social media. Users are leaving social media for interactive experiences.
- Gaming's feedback loop is often more instant, more satisfying, and in many respects, more social. The use of chat services in game, like Discord, has never been more popular.
- Gaming worlds are not just replacing social media: they are also proving to be a viable alternative to real-life events, especially during the COVID-19 period.
- While many of these activities are temporary shifts while real-life alternatives are unavailable, it undeniably showcases the potential of gaming to bring people together.

Chinese gaming goes mainstream

- The Chinese games market is the largest games market in the world, both by revenues and by number of players.
- For a long time, the market operated almost in a vacuum. It was (and is) difficult for foreign developers to enter the market, and developers with local success did not find the same response to their games internationally.
- In 2018, Chinese games market was disrupted by a nine-month-long freeze in the licensing of new games until new regulations were put in place. This caused developers to turn their attention to international markets.
- Chinese studios are now recognized worldwide for their prowess in mobile game development and Western AAA publishers are enlisting their help to adapt their biggest franchises to mobile.

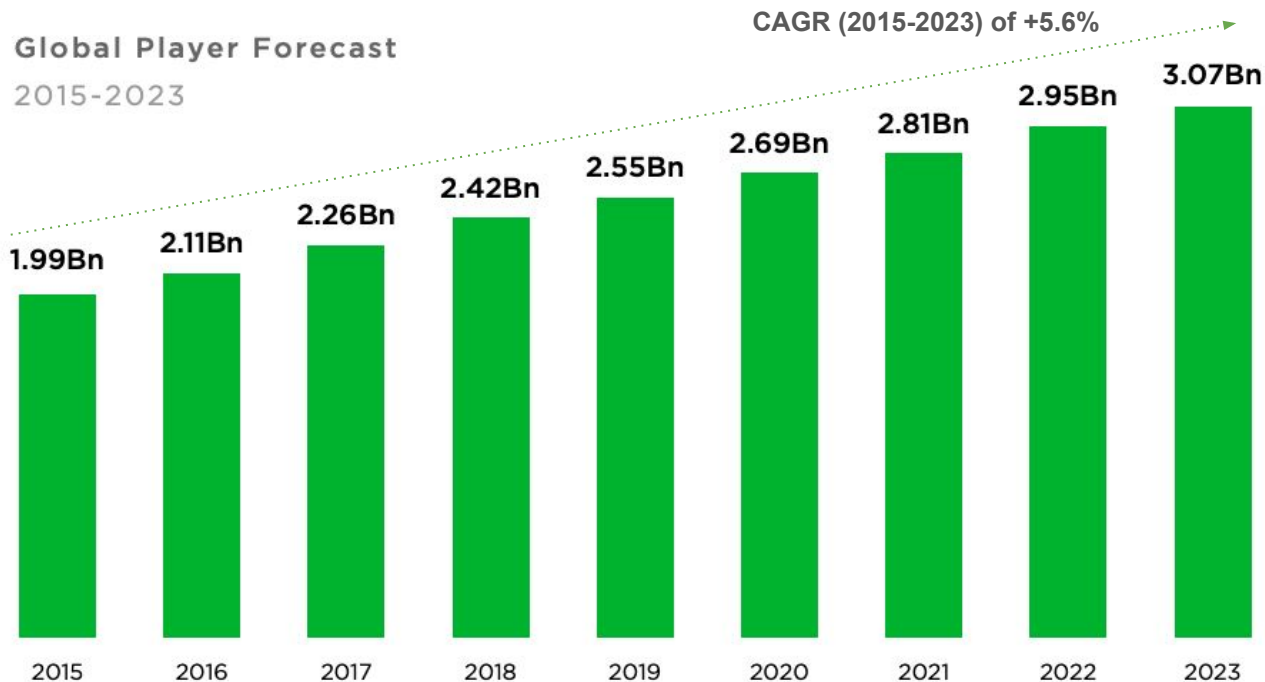
Trends in game development

- Developers are looking to provide gamers the ability to individualize in-game content, such as cosmetics, building and sharing level components and creating in-game items. This allows a game company to create new revenue streams for their existing IP.
- Personalizing gamer experiences provides a more immersive experience and builds a thriving game ecosystem that can spread beyond the game itself to social media, etc. This allows games to capture leisure time outside of actual gaming time.
- Data ownership enables developers and publishers to turn data into insights, and use the insights to achieve outcomes. When data is managed properly, it improves the analysis to drive business outcomes and also can improve customer experience.
- Leading game developers strike a fine balance between data-driven decision making, and the art of game development - gamers can often spot an inauthentic cash grab that can leave a developer with a poor reputation.

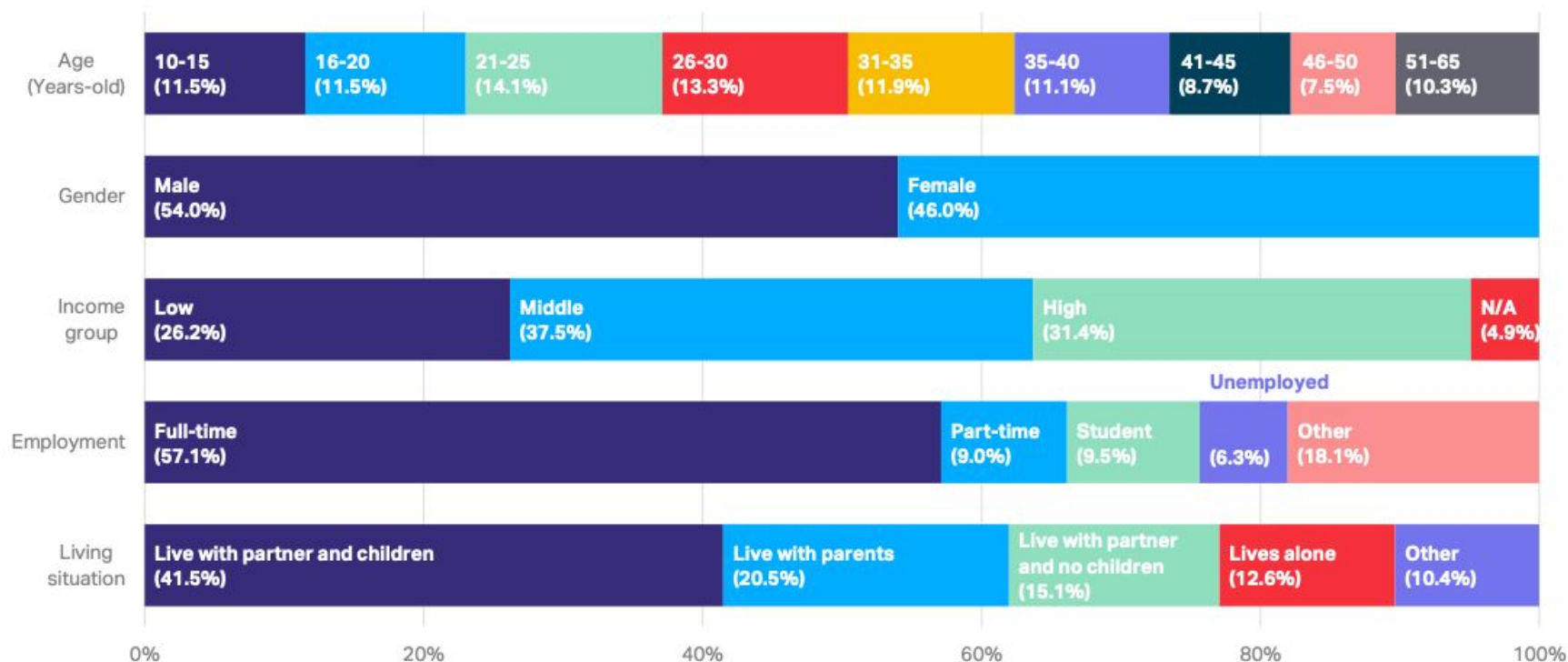
Who is a gamer in 2020?



Number of gamers worldwide



Gamer demographics



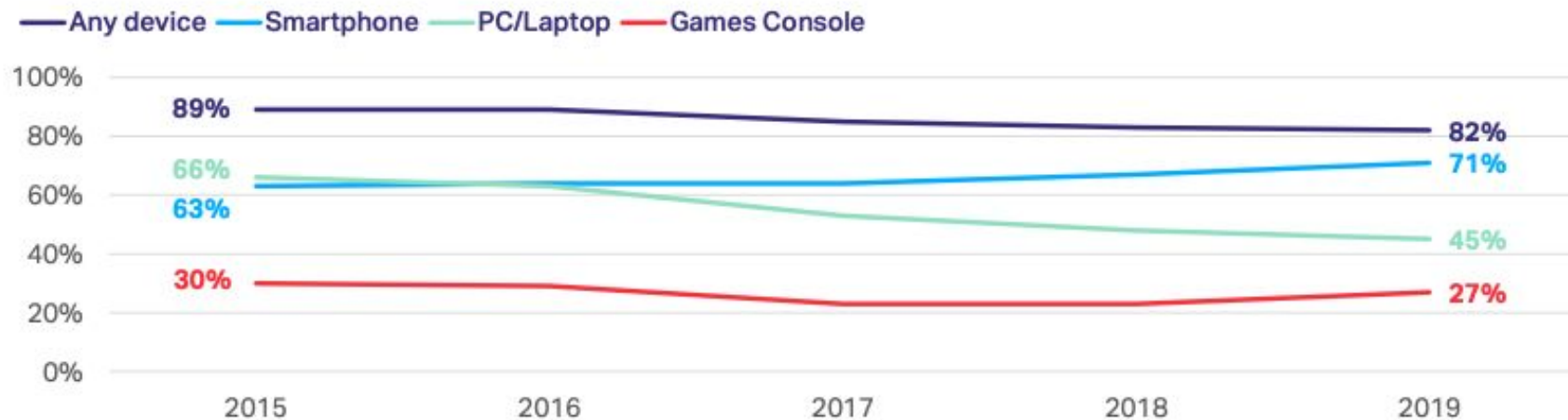
Note: Based on consumer research across 30 markets, anyone who has played video games on PC, console or mobile in last six months.

SOURCE: Newzoo

Gaming trends, by device

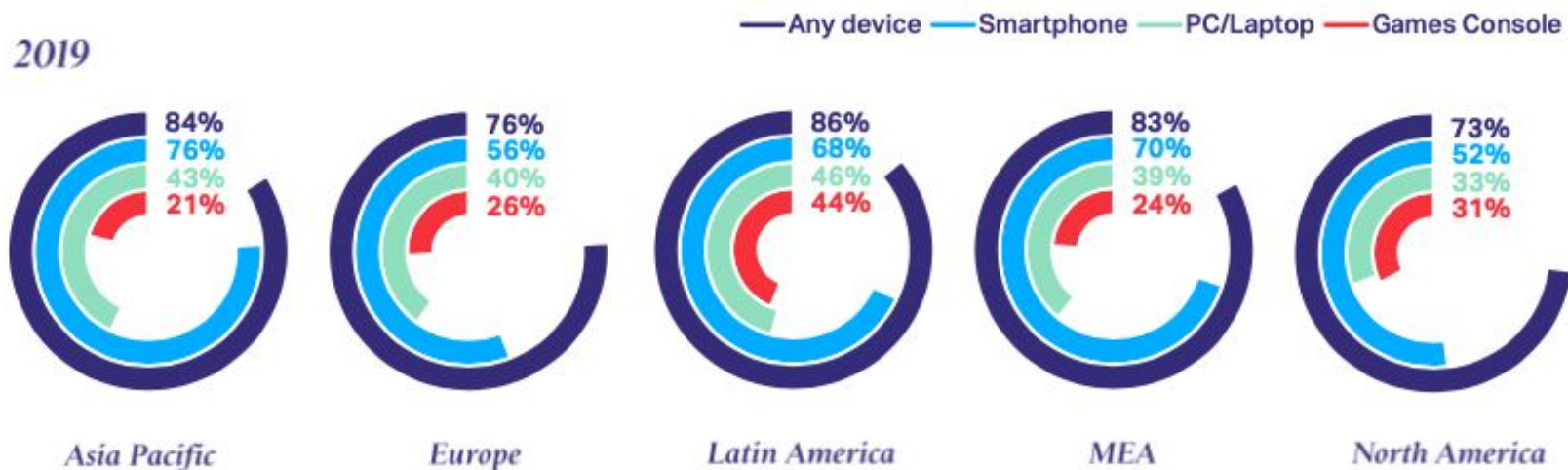
As the number of mobile devices increases, mobile gamers are becoming more prevalent.

Global, Devices used for gaming, % of internet users



Gaming, by device and region

Device usage varies significantly by region, but mobile is universal.



Note: Based on survey of internet users aged 16-64 across 46 different markets. Q: Which of the following do you use to play games?

SOURCE: GlobalWebIndex

Gaming personas

As with any large market, there are various personas of gamers.

Personas range from the “Ultimate Gamer”, a competitive gamer who plays during all of their free time to the “Time Filler” who plays to pass extra time they have in their schedules.

Each persona plays or views games in varying amounts. Many personas have spawned due to gamers that now have families or demanding jobs others have been enabled because of the prevalence of mobile devices.



THE ULTIMATE GAMER

“The best way to channel my energy and be competitive at the same time. A great source of entertainment.”



THE ALL-ROUND ENTHUSIAST

“I love video games and being able to play online, especially on my phone. Like Fortnite.”



THE CLOUD GAMER

“Games are great! They’re fun and entertaining in all forms.”



THE CONVENTIONAL PLAYER

“It’s fun to play games, and there are many available options. There are also interesting new game systems to play on.”



THE HARDWARE ENTHUSIAST

“When thinking about video games I think about video game systems like PlayStation, Xbox one, and the games they release.”



THE POPCORN GAMER

“They are a fun way to relax and take a few moments for yourself. I like the visual aspects like the colors, and how they can look real.”



THE BACKSEAT VIEWER

“Video games are fun but time-consuming. They’re good for the younger generation though.”



THE TIME FILLER

“They’re okay. I mostly think of mobile games as a way to pass time when waiting.”

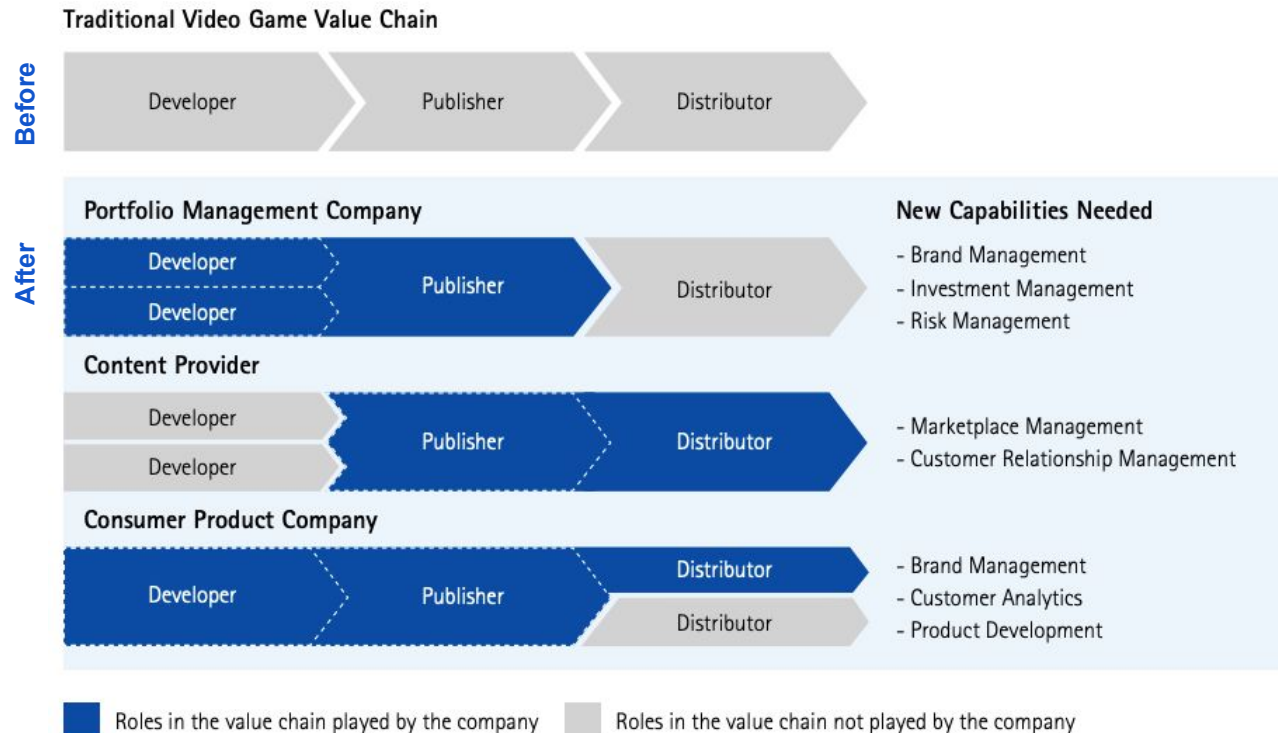
Deconstructing the gaming market



Market players

- **Hardware manufacturers** - Supplies hardware (consoles, PCs, etc.) on which games are played
- **Developers** are software developers that specializes in video game development where they are responsible for the storyline, gameplay and other features that are unique to a specific game.
- **Publishers** are companies that publish video games after they have been developed. publishers are responsible for the distribution and marketing of games.
- **Distributor** - An intermediary role between publishers and retailers. Most publishing companies own their special distribution networks to move their products to retailers, where end consumers can buy video games.
- **Retailers** deal with selling video games to end consumers. Despite the recent trend to digital, over 66% of console gamers prefer physical discs to digital download games.

The gaming value chain

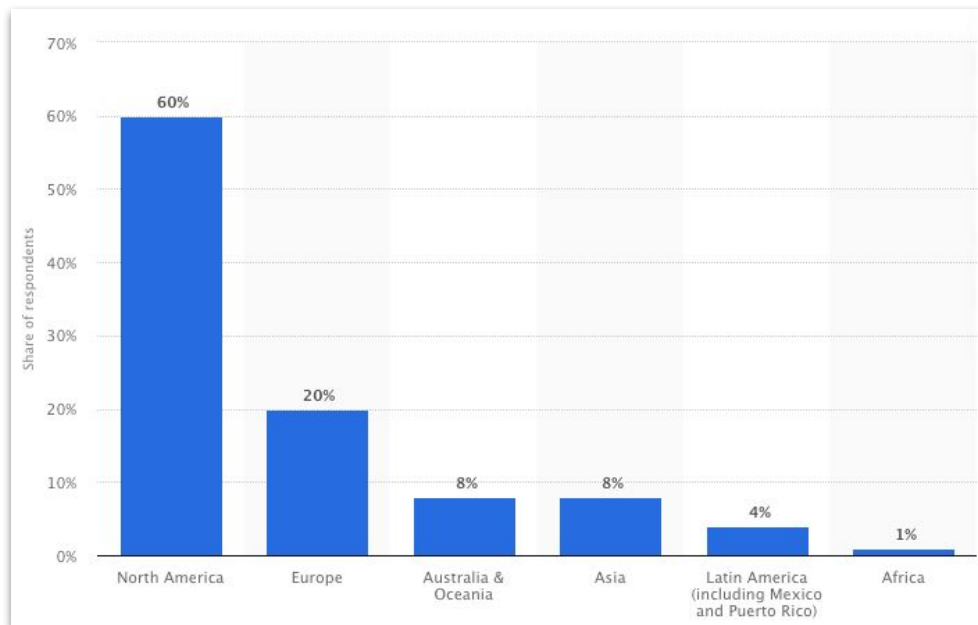


Adapting to the new value chain “requires re-thinking content and developer relationships, creating captivating gamer experiences, delivering content where gamers want it, and innovating both business model and franchise intellectual property.”

- Accenture

Distribution of game developers worldwide

Most game development happens in the US, but it's quickly growing elsewhere, like Asia.



US Video game developers and publishers

Game developers and publishers have proliferated in the US. The official numbers likely don't include the many smaller one or two person operations.

- In 2015, there were **2,457 video game companies** operating at 2,858 locations in all 50 states.
- The total **direct employment by the U.S. game industry now exceeds 65,000 employees.**
- The total employment that depends on the game software industry now exceeds 220,000.
- In 2015, the average annual compensation per employee (wages, salaries and employer contributions for pensions, insurance and government social insurance) was about \$97,000

Monetization models

Now, more than ever, there are many **distribution models available for developers and publishers.**

Certain types of distribution lend themselves differently to different styles of games. Each channel has their own challenges that must be overcome to even begin to compete.

Distribution has become more of a portfolio management function than a single decision: pricing control, level of customer interaction, and ownership of gamer-related data are important variables in determining channel strategy.

Distribution method	Physical distribution	Digital distribution	Subscription-based services	Free-to-play (F2P) + Micropayments
Upfront cost of the game	\$20-\$60 not including downloadable content	\$0.99-\$4.99 depending on marketplace platform	Varies depending on game service	Free not including micro-transactions
Primary challenge	Insufficient stock	Marketplace crash/ Downtime	Server crash/Downtime/ Attrition	Conversion
Responsible party	Retailer/Supply chain	Marketplace host	Cloud service provider	Cloud service provider
Financial impact	Deferred revenue/ Lost sales	Deferred revenue/ Lost sales	Refunds/credits to win back customers	Inability to generate revenue—loss is permanent
Owner of risk	Gamer High upfront cost without a trial	Developer Revenue share with marketplace	Publisher/Developer Attrition of customers over time	Publisher/Developer Conversion rate of customers from free to paid

Source: Accenture analysis. Copyright 2014 Accenture. All rights reserved.

Explaining business models in gaming

There are a variety of business models that allows game developers and publishers to capture value.

- **Pay to Play** - This is the more traditional model, in which the game is purchase physically or by paying for its download.
- **Free to Play** - Publisher gives the user a free version of the game while generating revenue through the sale of upgrades or new features through micro payments (In-App purchases) or in-game advertising (IGA).
- **Subscription** - The consumer bypasses the initial cost of purchasing the game, and then pays ongoing fees to continue playing the game and accessing content.
- **Hybrid** - The publisher leverages several business models for a particular title. For example, a game is published in a subscription service with cosmetic in-game purchases, a subscription + free to play hybrid.

Digital distribution: A paradigm change

Developers and publishers have benefited from digital distribution, giving rise to different types of games and business models.

- Developers access to greater opportunities for commercializing their games, with new multiple alternatives (e.g. portals games, app stores, own distribution platforms, etc.).
- The rise in distribution platforms, games, and business models has significantly increased the overall number of gamers.
- With new platforms come new opportunities for developers/publishers and the market is getting closer to the point where these parties will be able to post straight to these platforms.
- New platforms provide more options for developers/publishers in a games market further shifting towards a less transactional market.

Game distribution

Game distribution is concentrated, especially on PC (Steam), but there is competition.

- Itch.io and GameJolt (and others), are focused on serving indie over mainstream games. Platforms like Itch.io provide the indie developer with store pages and other tools to help with marketing.
- Others take a more pick-and-shovel approach, giving tools to the developer to be able to accept purchases and distribute the game, such as Humble Bundle. In most cases, the developer is responsible for the marketing.
- Interestingly, physical releases have become more popular recently ([link](#)).
- On consoles, distribution is handled through the console's storefront (having been approved for sale). All aspects of sales are handled by the storefront.
- Generally, mobile works similar to consoles where distribution is handled through the operating system app store.

Game distribution platforms

Console

- Microsoft Store
- Nintendo eShop
- PlayStation Store

Mobile

- Amazon Appstore
- Google Play
- Apple App Store
- Samsung Galaxy Apps
- Huawei App Gallery

PC

- Battle.net
- Beamdog
- Bethesda.net
- Direct2Drive
- Discord
- DotEmu
- Epic Games Store
- GameHouse
- Game Jolt
- GamersGate
- GOG.com
- Green Man Gaming

PC (continued)

- Humble Bundle
- Itch.io
- Kinguin
- Metaboli
- Microsoft Store
- Origin
- Playism
- Steam
- Uplay
- Arcade
- ALL.Net
- NESiCAxLive

Publishers are exploring new business models

Game publishers are embracing new business models for games to maximize revenue potential for titles.

- Game publishers, as a group, have a vested interest in diversifying their revenue streams and game titles across the different platforms - but this comes with its own challenges as this strategy can be costly and resource intensive.
- Subscriptions can generate revenues in various ways, including game subscriptions and season passes.
- With subscription models, the publisher opens the door to an indefinite purchasing lifespan from each consumer, which can increase the total revenues generated from a single game.
- Developers and publishers are targeting casual mobile gamers with subscription models allowing them to regularly sample new games.

Going direct to consumer

New value chains offer the opportunity to the company to define how it creates the relationship with the gamer.

- Owning a direct-to-consumer channel means having a complete control over the data analytics, pricing, marketing and management of customer relationships.
- Purchasing process needs to be frictionless and simple and it requires strong capabilities in managing a cloud-based commerce platform and efficient customer relationship management.
- This model has more benefits than just more profit per game: According to Fries, “it’s not just that we have digital distribution to our customers. It’s that we have this incredible two-way connection that we’ve never had before with our customers”.
- Direct to consumer comes at a cost of resources and technology, generally requiring the building of teams that wouldn’t otherwise exist in a developer or publisher.

Questions to ask when distributing

- How many distribution channels should we pursue? (Largely constrained by budget availability)
- Where will the company place its bets and in what sequence?
- How will marketing dollars be invested?
- How it will manage the gamer relationship?
- Should the company create its own direct-to-consumer channel? Does it want to work with an online or console-based marketplace?
- Do we have the capabilities to support a direct-to-consumer model?

Cons of wide distribution

Being everywhere isn't all that it's cracked up to be. Distribution comes with many hidden costs.

Increased costs: Preparing a game to be distributed on multiple platforms and in different formats increases development costs.

Management: Requires maintenance of relationships with various channel partners, and tracking each channel's success requires a large amount of overhead.

Planning: Digital distribution is not about doing it right once and replicating - each digital channel has its own success factors.

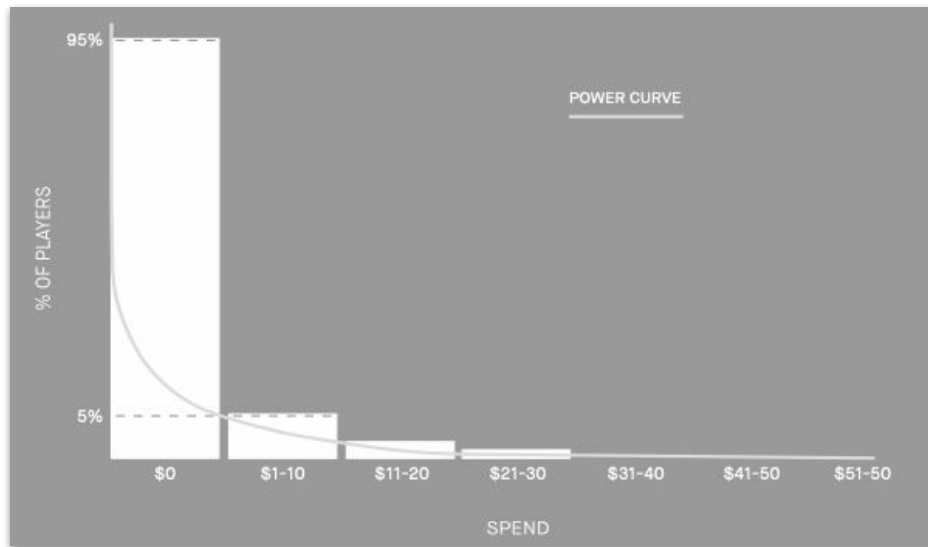
Support: Channels, like direct to consumer, requires a consumer grade experience that developers and publishers need to be prepared to provide.

How much can titles charge?

The game pricing power law curve: The number of players that will be an available audience for a game is inversely related to the price of the game.

The number of gamers your game will appeal to is dramatically affected by the price. All but AAA games can demand \$50+ per game.

What's more, the opportunity for developers and publishers is to capture \$50+/user at a Free to Play model (like Fortnite).

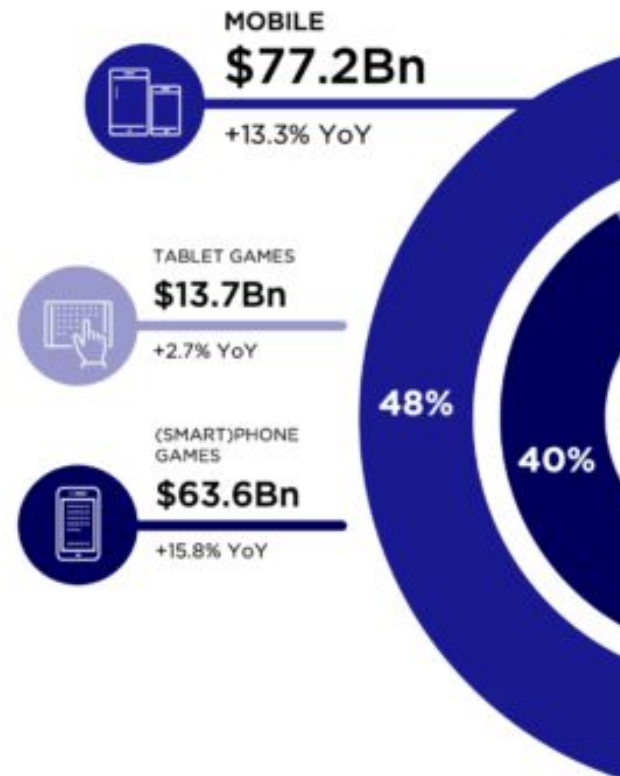


Segment highlight: Mobile



Mobile gaming: Bringing gaming mainstream

- Mobile titles earned almost 3 out of every 5 dollars spent on digital games in 2019 as multiple publishers brought PC and console franchises to smartphones.
- Expect engagement for mobile games to rise more rapidly than revenues. After all, it is infamously difficult to convert mobile players into payers.
- There are 2.6 billion mobile gamers in 2020, of which just 38% will pay for games.
- Mobile has the lowest barrier to entry, but suffers the least from development complexity.



This is driven by the number of smartphone users

ACTIVE SMARTPHONE USERS GLOBALLY

Source: Newzoo.



Mobile gamers

2.9B people play games on their smartphone, equivalent to seven in ten (71%) internet users.

Mobile gamer count is up from 63% in 2015 – an absolute increase of one billion worldwide

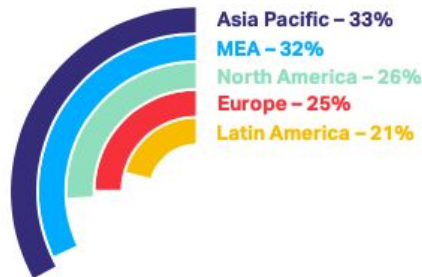
Mobile gamers skew female (55%)

Mobile also skews older: Millennial + Gen X + Baby Boomers making up over 80% of the market

Mobile gamers are getting expensive to acquire and convert because they're not loyal to titles or publishers.

How do these mobile gamers shop?

Global, Mobile-only gamers profile

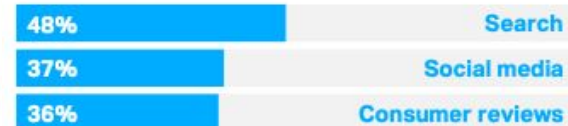


Note: Based on survey of internet users aged 16-64 across 46 different countries
SOURCE: GlobalWebIndex

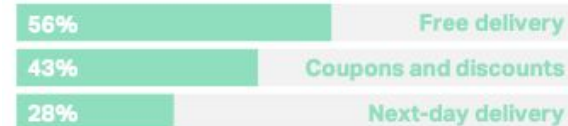
Brand discovery



Sources for product research



Online purchase motivators



Brand expectations



Mobile developers and publisher tactics

Mobile gamers expensive to acquire and convert, and they're not especially loyal, with high churn rates across titles.

- Developers and publishers are targeting casual mobile gamers with free-to-play (FTP) and subscription models allowing them to regularly play new games.
- Mobile gamers seem to be moving toward more multiplayer and immersive games.
- Some of the most popular mobile immersive games are ports of games on other systems (console/PC).
- Mobile gamers understand the value exchange of advertising. Most are fine with viewing advertising if it keeps the game free-to-play. Ads in mobile games have no discernible impact on churn, and are far more effective than banner advertising when inserted programmatically.

In-game advertising

This \$7B+ market leverages a variety of strategies with varying amounts of disruption to gaming.

- **In Game Advertising:** games contain advertising such as messages or products of a certain brand (can be cleverly used to simulate reality).
- **Around-Game Advertising:** publicity surrounds the game, and may appear before or after playing, very common in online games (generally less disruptive to the gaming experience).
- **Advergaming:** a brand is specifically promoted throughout the game (work for hire), because it is itself funding the development of the game.
 - Used by companies as part of their advertising strategy because it is less intrusive than traditional advertising and offers a high viral impact.

Segment highlight: Streaming



Streaming: The new prime time

The gaming video content (GVC) market is \$6.5B and is growing rapidly.

- Twitch alone draws 1.9m – predominantly Gen Z – viewers per day, mostly after 7pm.
- Two-thirds of 18–25 year-old gamers would rather play video games or watch gaming content than watch TV.
- Would-be gamers now watching others rather than playing themselves.
- Weekly game streaming hours watched have dramatically increased year over year.
- Esports streaming hours had a large increase at the start of the COVID-19 pandemic, but has maintained the momentum since the return of traditional sports.

Streaming: 2020's binge

COVID has supercharged streaming

The average weekly hours watched this year eclipsed half a billion, a 73% increase from last year's average (291M)

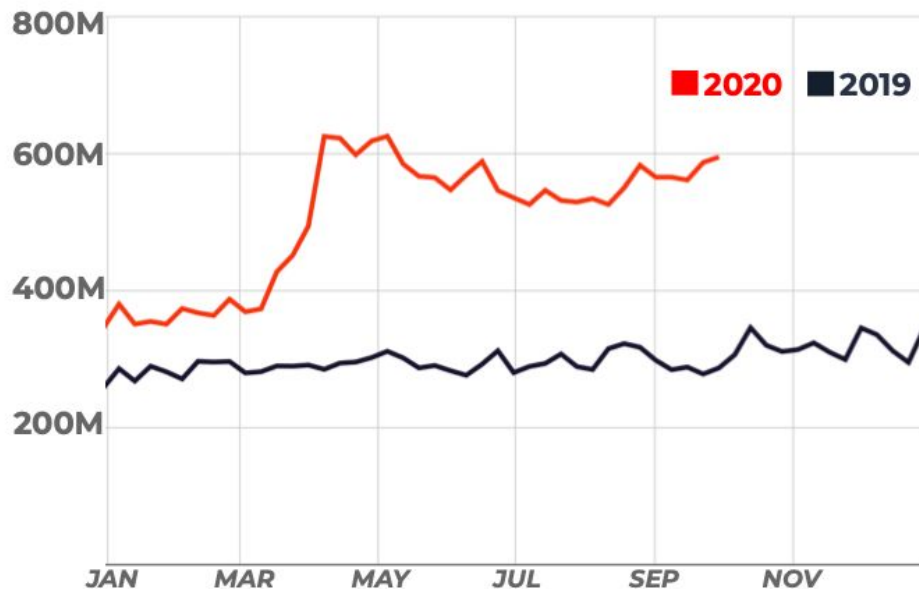
The top game streaming platforms reached a total of 7.4B hours watched this quarter

YouTube Gaming experienced the strongest growth with an increase of more than 150 million hours in Q3

Facebook Gaming is on track to even bigger market shares after eclipsing 1B quarterly hours watched

WEEKLY STREAMING HOURS WATCHED INCREASE 73% YOY

JAN 2019 - OCT 2020 |  TWITCH,  YOUTUBE GAMING,  MIXER, AND  FACEBOOK GAMING



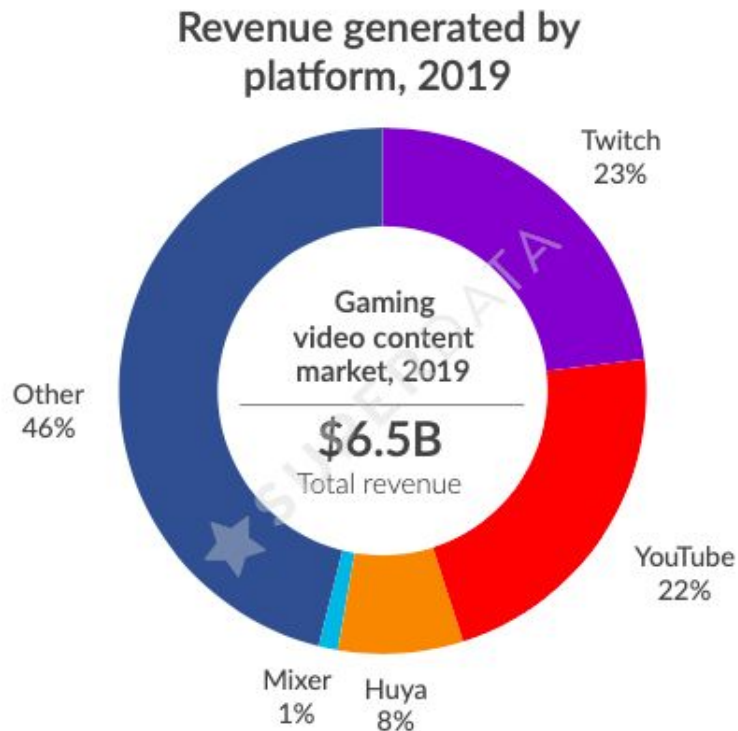
Streaming revenue is on the rise

Thanks to more robust monetization offerings, **Twitch generated more revenue in 2019 than YouTube (\$1.54B vs \$1.46B) despite a much smaller audience.**

While ad revenue was the largest category for both platforms, subscriptions made up 8% of revenue on Twitch while they only accounted for 2% of GVC revenue on YouTube.

As the streaming audience surpasses **1B unique viewers**, the war for streamers' exclusivity will intensify.

Exclusivity deals for top talent have transformed the GVC industry.

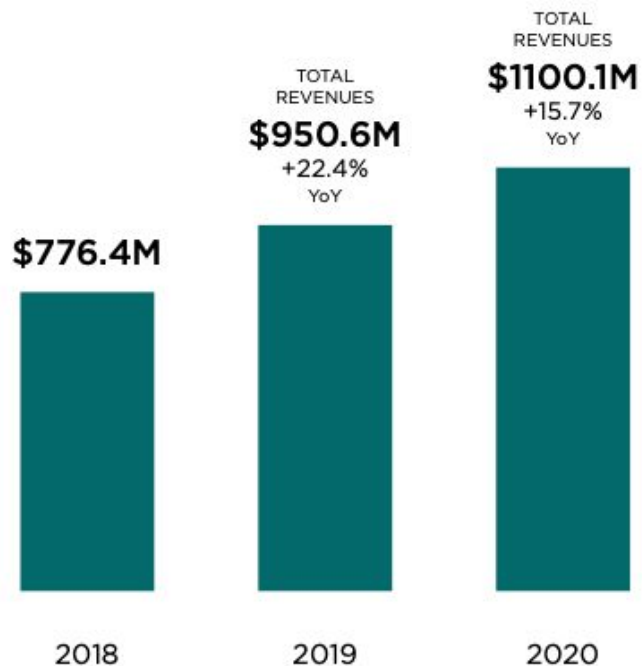


Segment highlight: Esports

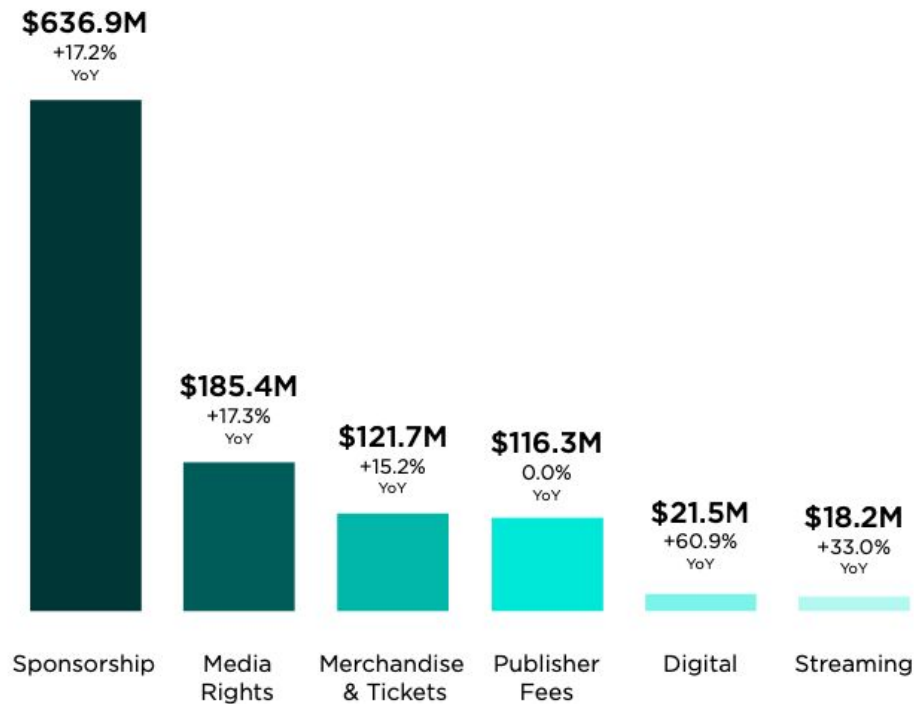


Esports market

Esports Market Size



Esports Revenue Streams



Esports is a global phenomenon

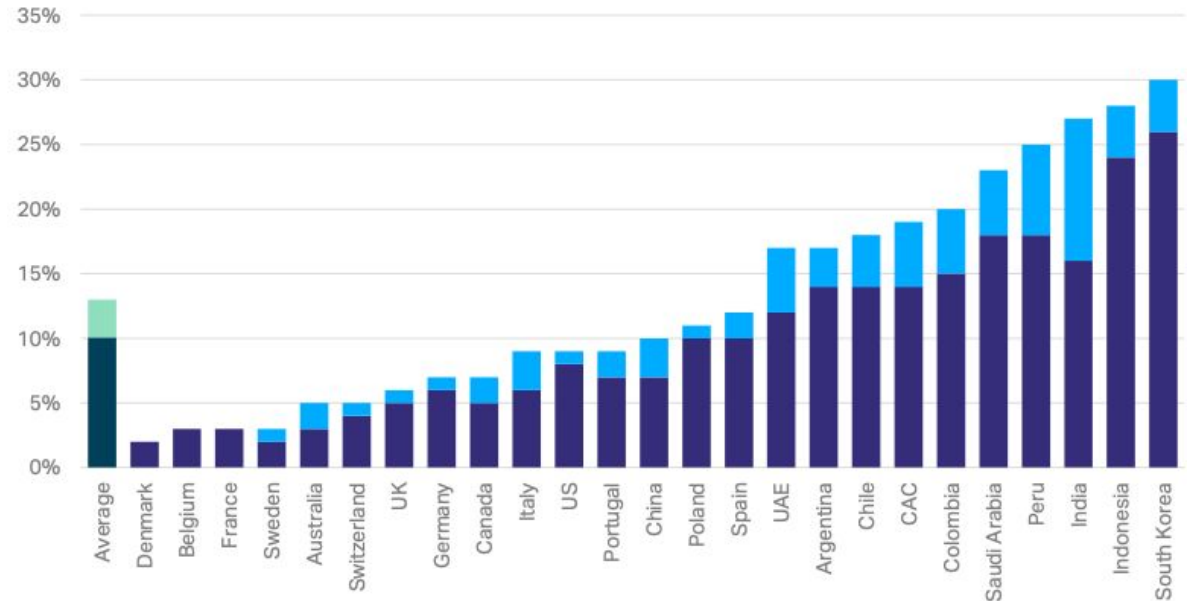
There were a sharp rise in Esports events due to COVID-19.

Newzoo found that only **45% of all esports viewers can be regarded as enthusiasts** (those who watch frequently and interact with content) (mostly in Asia), while the **majority (55%) are occasional viewers**.

Just 3% of adults said they started watching esports during April, when many markets were at the height of the COVID-19 outbreak.

Key markets, e-sports viewing in April 2020, % of consumers aged 18+

■ Watching more ■ Just started



Note: Based on survey (n=845 per market, on average) representative of populations aged 18+, April 2020. CAC is Central America and Caribbean.

SOURCE: McKinsey & Company

The esports flywheel

Esports represent a unique and new way for companies to attract and retain loyal fans over a longer time period.

If publishers can build and maintain a popular international esports league surrounding a hit title, then that should (in theory) sustain the popularity of the game itself among consumers, creating a positive feedback loop.

This may lead to an expanded revenue cycle beyond a single transaction to purchase the game, to one with a much longer timeframe that includes additional in-game purchases and subscriptions.



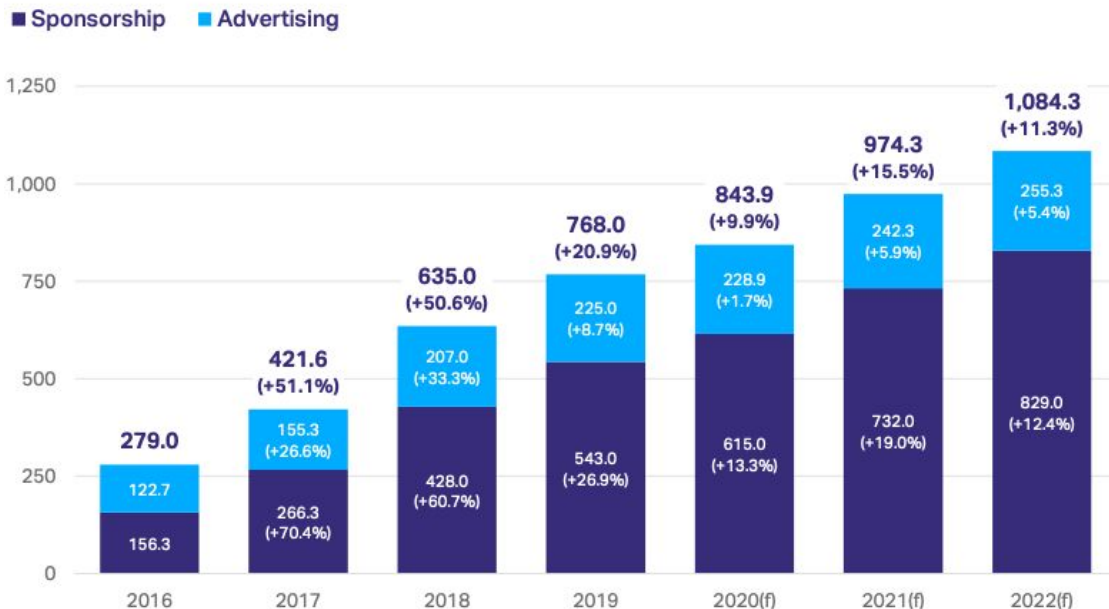
Brands are in on esports

Brand investment is expected to rise in spite of economic turbulence this year, with the vast majority (62.8% in 2020) of money directed towards sponsorships. Over half of investment is made in Asia.

Advertisers looking to work in this space should ensure brand integration feels organic and authentic, and that any messaging does not interfere with gameplay.

Sponsorships can be rewarding, as successful execution can ultimately turn gamers into brand advocates. But brands must also understand individual games and the lexicon around them.

Global, Brand investment in e-sports, US\$ millions



Note: Advertising is predominantly spot during breaks in live broadcast.

SOURCE: Newzoo, WARC Data

Esports: Benefiting from COVID

Esports benefited from the pandemic

- While many traditional sports leagues went offline due to challenges with COVID-19, the esports industry quickly pivoted to remote events to capture audiences
- League of Legends – published by Riot Games – continues to lead as the most popular global esports title
- The two most popular esports events from Q3 originated from the Asia Pacific region

TOP 5 ESPORTS EVENTS BY HOURS WATCHED

Q3 2020 | ON  TWITCH,  YOUTUBE GAMING,  FACEBOOK GAMING, AND  AFREeca



Esports ecosystem



Esports personas

eSports distributor platforms and channels	ESPN, Twitch, Mixer, etc.
Leagues	ESL, Overwatch League, League of Legends Championship Series, PUBG Global Championship, etc.
Competition events and tournaments	The International, Intel Extreme Masters, Overwatch World Cup, Fortnite World Cup Finals, etc.
Coaches	Game Coach, Gamer Sensei, etc.
Teams and players	N0tail JerAx, ana, etc.
Teams' organizations	Team Liquid, Cloud 9, etc.
Venue owners	Fukuoka Convention Center Foundation, Fusion Arena, Blizzard Arena, The Fortress, etc.
Brands and advertisers	Coca Cola, Redbull, Nissan, etc.

Esports is being consumed by publishers

Game publishers are now primed to gain the most from the esports phenomenon

- Roughly \$1.1 billion will be generated by esports. According to Goldman Sachs, media rights are expected to grow from representing around 20% of all esports revenues to 40% by 2022.
- Over the past few years, video game publishers have invested millions of dollars in developing, launching and running professional esports leagues.
- After factoring in other revenue sources like sponsorship and game publisher fees, video game publishers are in a position to potentially own the majority of revenues coming from esports.

Activision Blizzard

- Overwatch League
- Call of Duty League
- Major League Gaming

Epic Games

- Fortnite World Cup

(40% Owned by Tencent)

Riot Games

- League of Legends
Championship Series

(Owned by Tencent)

Take Two Interactive

- NBA 2K League

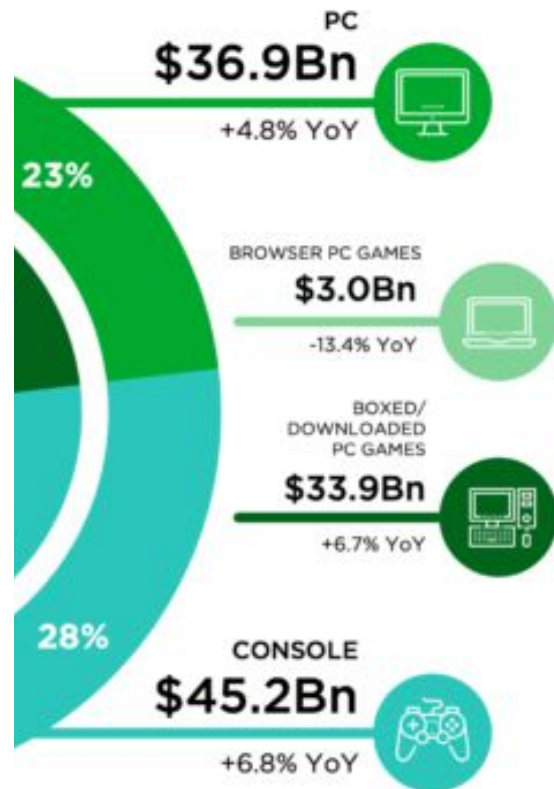
(League 50% Owned by NBA)

Highlight: PC gaming

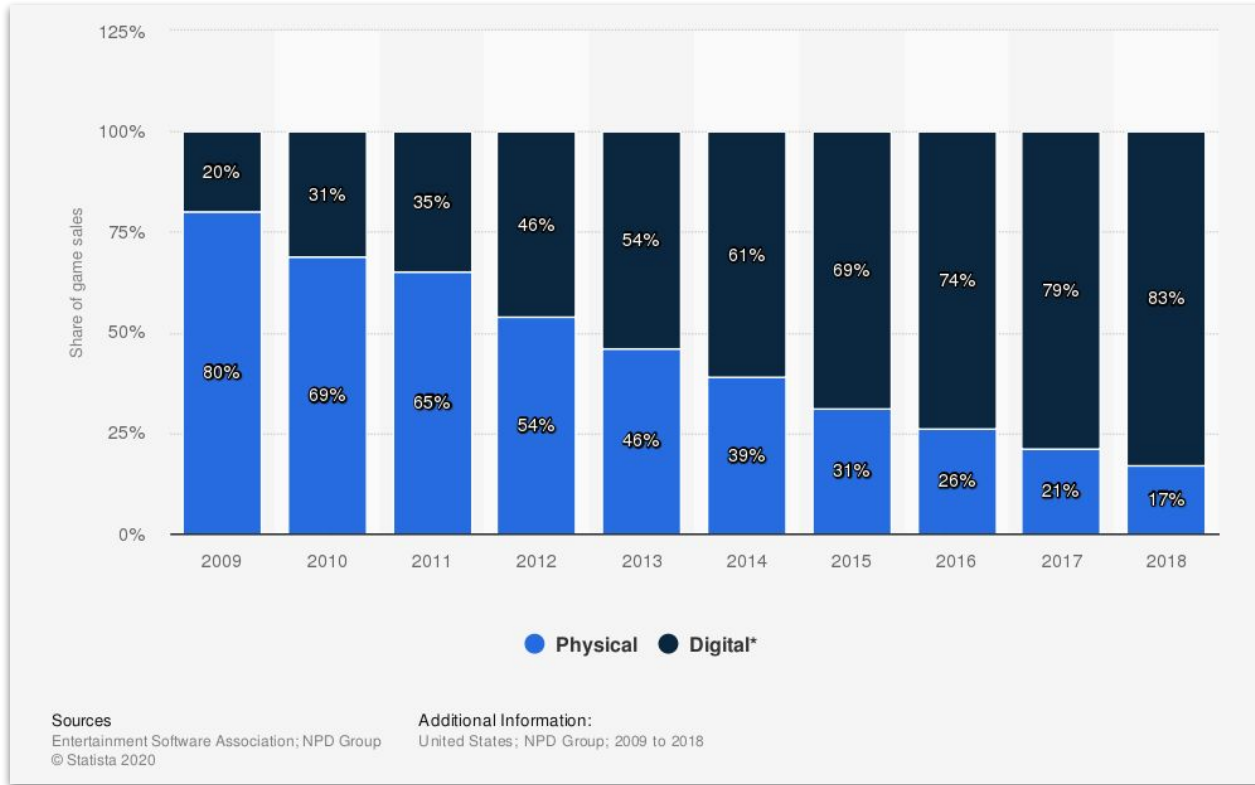


PC gaming: Still a large player in the market

- PC games will generate \$36.9 billion in 2020, making it the third-largest segment.
- Growth in downloaded/boxed PC games is partially offset by declining browser PC revenues, as browser gamers have mostly transitioned to mobile.
- 66% of game studios are currently making games for PC.
- Over 47% of game publishers sell their products on Steam.

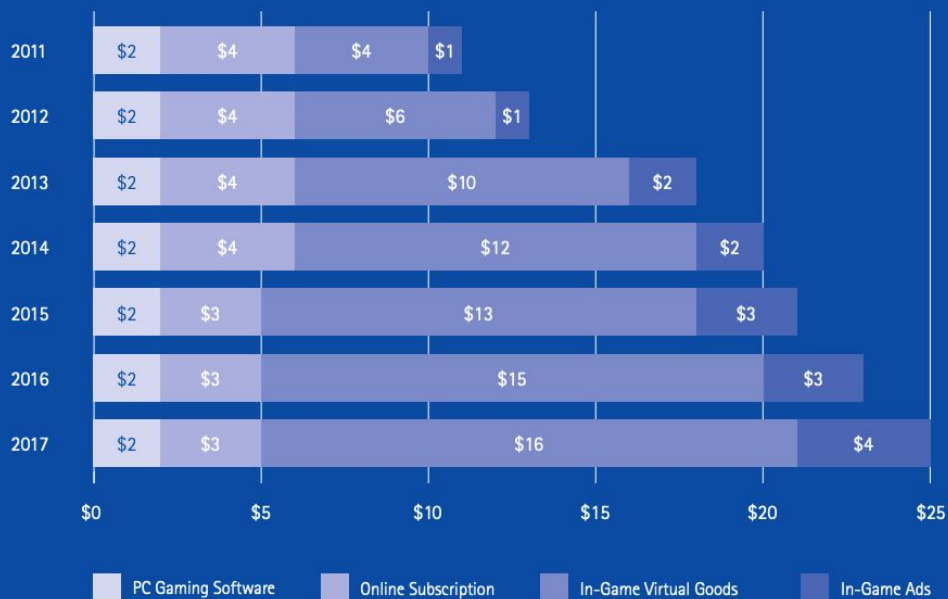


Sales by delivery format in the US



PC gaming revenue by business model

Figure 2: PC Game Revenue Streams Worldwide (Millions USD 2011–2017E)



Source: Created by Accenture based on Gartner report, "Forecast: Video Game Ecosystem, Worldwide, 4Q13," October 14, 2013, G00246826, Brian Blau et al.

PC gaming revenue is subject to the same trends that other segments are experiencing.

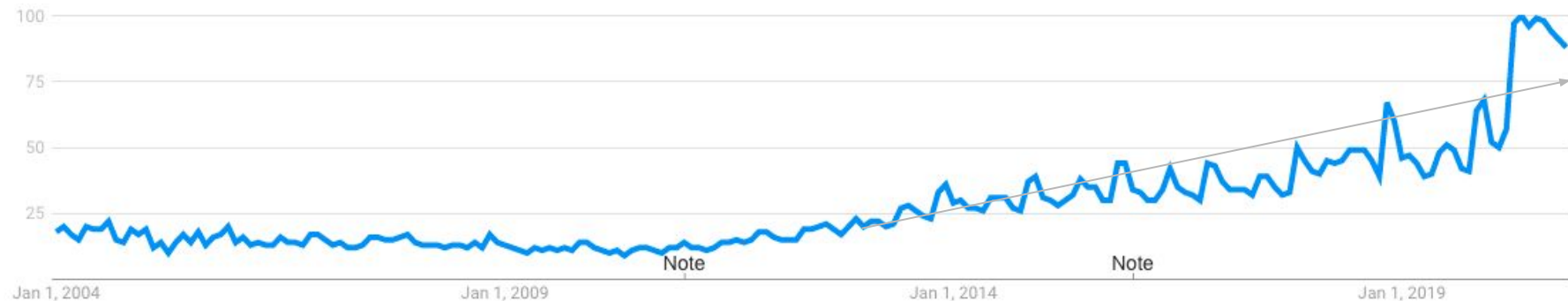
Since 2011, in-game virtual good has been on the rise in PC while other means of revenue have stayed relatively flat.

FTP is shifting the industry to a high volume, low margin business, but one that can boost the top line because these smaller transactions allow companies to get closer to the individual consumer's willingness to pay.

Signaling: Interest in PC gaming is growing

“PC gaming” is seeing a resurgence in interest over the last 3 years, and has greatly increased due to Covid.

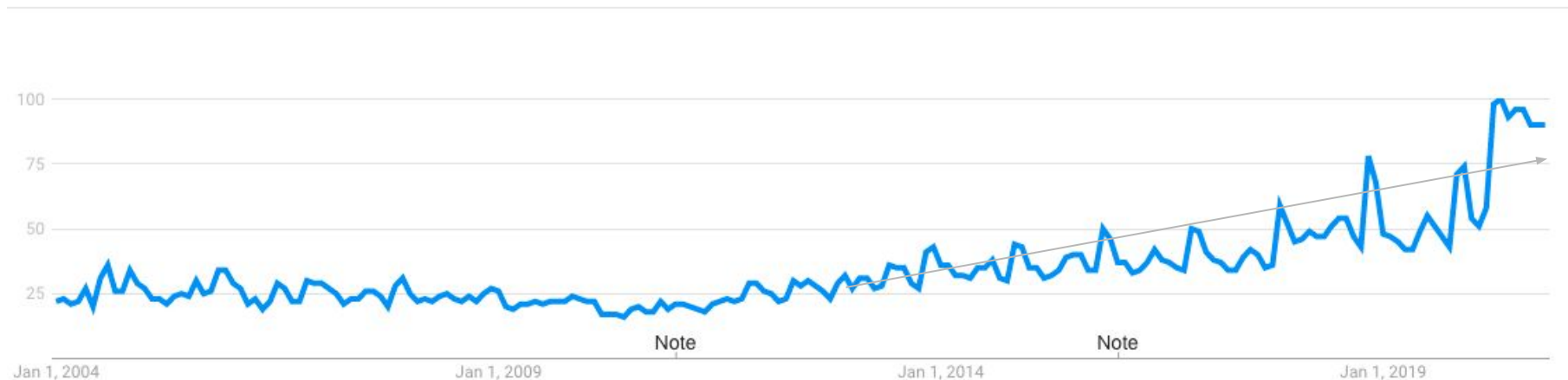
Interest over time



Signaling: Gaming computers on the rise

The number of searches for “gaming computers” is also on the rise and tracks well with PC gaming.

Interest over time



PC gamer personas

- **Hardcore** - These gamers pursue gaming with an absolute passion. They are our youngest group and are most focused on playing online multiplayer games. They consider playing games to be their top entertainment priority.
- **Avid** - While very similar to the hardcore group, our avid gamers also enjoy playing alone more than the hardcore, and they also find more pleasure in watching video game streams.
- **Moderate** - These gamers are a little older than the first two groups and have played for longer. They do not find watching streams online to be a source of entertainment.
- **Casual** - Casual gamers have actually been playing games for quite a long time. They like to play single player games and fit in gaming as the rest of their life allows.
- **Customizers** - This group has been playing longer than any other group, but now spend the least amount of time sitting down to play. They are also the most likely to own a gaming PC and though their time is limited they are knowledgeable in the latest components and like to build and upgrade their own PCs.

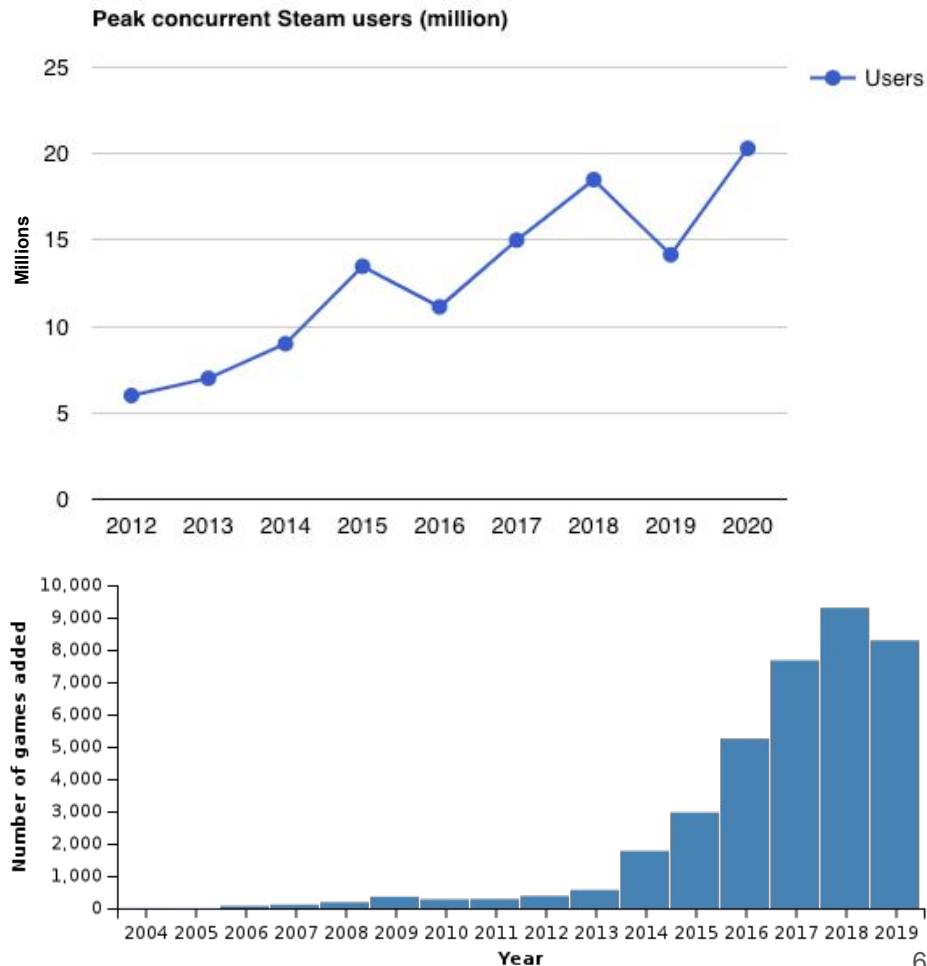
PC game distribution: Steam

Steam is the world's largest distributor of PC games, taking up 75% of the global market share.

- Despite its enormous market share, Steam hasn't innovated quickly enough.
- Steam has taken an open market perspective when populating their storefront. This has led to less-than-savory developers passing off sub-par titles as “indie” - crowding out real indie titles - giving Steam a bad reputation.
- There have also been high-profile cases of inappropriate games being listed on the service...to their competition's benefit.
- Steam's launcher and all-in-one marketplace gives it a strong competitive edge, but that won't last forever.

Steam continues to grow

- Steam has over 30,000 games in its library. Over 600 of these are virtual reality games.
- 34% of Steam sales revenue was attributed to North American according to Valve. (GeekWire, 2018)
- 29% of Steam sales revenue was attributed to Western Europe according to Valve. (GeekWire, 2018)
- Valve processes significant **more than \$1 billion in indie game sales every year**, and it's over one third of their total game market.



Epic: The challenger (with deep pockets)

- Coming to the market with a deep pocketbook funded by Fortnite (and Tencent) success, Epic aims to provide a better service to developers.
- Many users argue that they are favoring developers over consumers, lacking many basic features that other gaming distribution platforms have.
- Epic has been accused of taking an all-or-nothing approach with game titles - demanding exclusivity or Epic won't list it.
- Exclusivity often comes with a check that guarantees developers some level of success (which has been deemed controversial by a vocal segment of the gaming market).
- Epic's association with China and Tencent also has elicited some negative feedback with accusations of "spying".

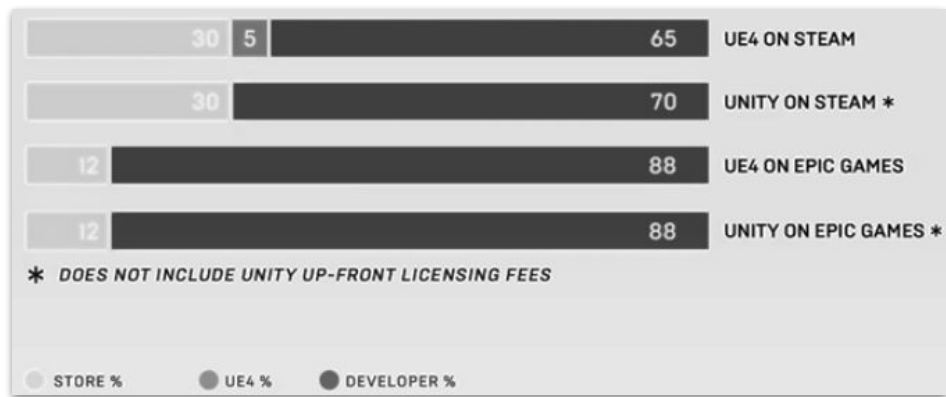
Steam vs Epic

Steam: Big market, big competition, big fees

- 30% fees
- Oversaturation, heavy competition
- At times, clogged with rehashed content

Epic: Low fees, exclusives, but poor features

- 12% fees
- Seek exclusive titles to differentiate
- More curated
- Seen by the market as buying their way to success/market share



Disruption and the future of gaming



Game as a product is stagnating

Stagnation of game sales leaves developers and publishers are seeking more revenue.

Lower premium game earnings in 2019 were the result of fewer blockbuster game releases than in 2018.

An array of remakes and re-releases appealed to nostalgic gamers.

On PC, new storefronts and subscription services challenged the hegemony of Steam.

Cross-platform releases of AAA games can drive additional revenue to developers and publishers.

Top premium PC and console games by revenue, 2019

Rank	Title	Publisher	Genre	Revenue
1	<i>FIFA 19</i>	Electronic Arts, Inc.	Sports	\$786M
2	<i>Call of Duty: Modern Warfare</i>	Activision Blizzard, Inc.	Shooter	\$645M
3	<i>Grand Theft Auto V</i>	Take Two Interactive Software, Inc.	Action-adventure	\$595M
4	<i>FIFA 20</i>	Electronic Arts, Inc.	Sports	\$504M
5	<i>Call of Duty: Black Ops IIII</i>	Activision Blizzard, Inc.	Shooter	\$487M
6	<i>NBA 2K19</i>	Take Two Interactive Software, Inc.	Sports	\$370M
7	<i>Tom Clancy's The Division 2</i>	Ubisoft	Shooter	\$370M
8	<i>Tom Clancy's Rainbow Six: Siege</i>	Ubisoft	Shooter	\$358M
9	<i>Borderlands 3</i>	Take Two Interactive Software, Inc.	Shooter	\$329M
10	<i>Sims 4</i>	Electronic Arts, Inc.	Simulation	\$311M

But...free to play (FTP) and mobile are on the rise

Free to play has become a popular monetization model, outpacing powerhouse AAA titles (even on mobile).

Mobile games accounted for 6 of the top 10 free-to-play titles in 2019

Bringing AAA game franchises to mobile proved to be a successful strategy for publishers

After a record-setting first year, Fortnite's annual revenue stabilized at \$1.8B

Apex Legends disrupted the free-to-play market with a groundbreaking gaming video content marketing strategy

Top free-to-play games by revenue, 2019

Rank	Title	Publisher	Genre	Revenue
1	<i>Fortnite</i>	Epic Games	Shooter	\$1.8B
2	<i>Dungeon Fighter Online</i>	Nexon	RPG	\$1.6B
3	<i>Honour of Kings</i> ⁵	Tencent	MOBA	\$1.6B
4	<i>League of Legends</i>	Riot Games, Tencent	MOBA	\$1.5B
5	<i>Candy Crush Saga</i>	KING Digital Entertainment	Puzzle	\$1.5B
6	<i>Pokémon GO</i>	Niantic, Inc.	Adventure	\$1.4B
7	<i>Crossfire</i>	SmileGate	Shooter	\$1.4B
8	<i>Fate/Grand Order</i>	Aniplex Inc.	RPG	\$1.2B
9	<i>Game for Peace</i>	Tencent	Shooter	\$1.2B
10	<i>Last Shelter: Survival</i>	Long Tech/im30.net	Strategy	\$1.1B

While free-to-play dominates today, subscriptions will play an important role in the near future.

Subscriptions are being pioneered by platforms

Because of the large investments involved, only the most well capitalized firms are diving into cloud gaming.

- While most popular on consoles, subscription services on console will generate \$5.8 billion in 2020, or 4% of the overall global games market (13% of the console market).
- With Google, Apple and Microsoft all looking to compete in the games streaming space.
- Microsoft, and to a lesser extent, Sony already began doubling down on subscription revenues this generation.
- There is a whole subsection of gamers, “The Subscriber” persona, that enjoys playing games but is less willing to purchase hardware.

Subscriptions are best suited for non-AAA titles

For pure-play subscription services (think: Netflix for gaming), developing exclusive games would be a tall order. A AAA game can cost \$50 million to more than \$100 million to develop.

In the pay to play format, a game publisher nets at least \$42 per unit on a \$60 game sold digitally or physically. It's unlikely that subscriptions would change this expectation.

This means that by licensing just two blockbusters a year could cost a platform \$8 per user every month. That would be 80 to 100 percent of subscription revenues if game services were priced in the same way over-the-top (OTT) videos are (McKinsey).

Plus, most gamers that want a AAA game, usually purchase them immediately (up to 60% within the first month) meaning that subscription services would need to offer games almost immediately to provide that competitive value.

Subscriptions: for long tail of games

The market is betting that the sheer quantity of titles will eventually outweigh AAA content in helping to acquire players.

Proof points:

- Apple has made a big wager on content, reportedly investing \$500 million in small indie games.
- Sony's PlayStation Now, which had 2.2 million subscribers as of April 2020, focuses on lesser known titles for its subscription service.

Subscriptions won't benefit everyone

The move to cloud gaming is expected to be negative for all but the top tier developers and publishers (think: artists and Spotify).

- Platform holders, not devs/pubs, have most to gain from the growth of gaming
- Developers and publishers will lose control of distribution, relationships with users (plus their data) and will face a lack of leverage in negotiations
- They will face discoverability issues on cloud gaming platforms
- Will need to focus efforts on platforms that enable them to monetize multiple times through updates, items, or additional subscriptions
- If no platforms offer additional monetization options, developers will be far less likely to continuously update games
- Possibility of subscription fatigue for additional monetization options

Tough decisions on the horizon for devs/pubs

Developers and publishers will need to determine their new distribution mechanisms which may define the winners and losers of the market.

- Publishers will be forced to make a decision on building their own D2C service and retain all revenues and user data, or offer games directly on a third-party platform, and how to handle monetization (and other services).
- Indie and other small developers may need to choose a business model: receiving a fixed upfront fee for exclusivity from a cloud gaming subscription or releasing on a standard game store and monetizing through paid downloads, in-game spending, or advertising.
- Users may rapidly move between subscription services as compelling new content becomes available.

The opportunity is bridging the gap from past to future business models for developers and publishers.

Business models will evolve over time

Pay to Play

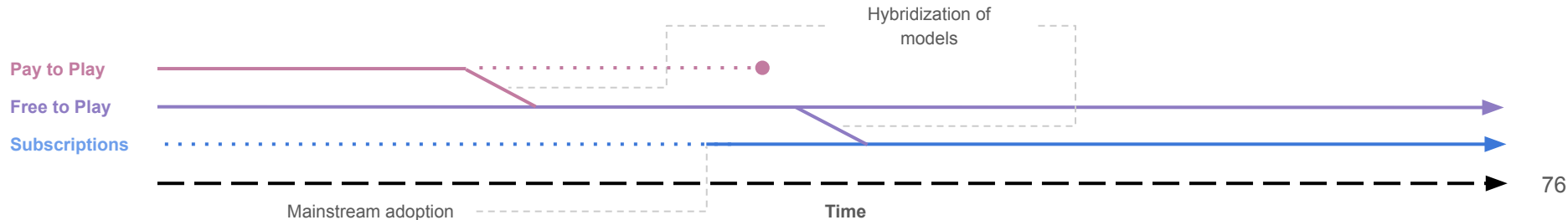
- Will fall out of favor in terms of more profitable business models
- Very few games being developed today don't have some FTP type-monetization models

Free to Play

- Will persist for the foreseeable future
- Developers must constantly keep pace with their gamers' demands for new cosmetics
- Cosmetics revenue can be short-lived for a single item

Subscriptions

- Experts agree that it is only a matter of time till subscriptions become a big part of gaming
- Will be driven as the market shifts toward cloud gaming
- Subscriptions will be targeted to gamers who only want to purchase minimal hardware



Capturing the opportunity

Help non-tier 1s compete in an ever centralizing gaming ecosystem

Direct monetization

- Democratize new & enhance business models (subscriptions, FTP, hybrid)
- Democratize distribution for non-tier 1 devs/pubs

Passive monetization

- Create monetization options (in-game, resale, advertising)
- Make re-monetization attractive to devs/pubs

Marketing & discovery

- Aid in game discovery by connecting the dots with streamers for promotion and marketing

The horizon for subscription gaming

Where does subscription gaming fall into the big picture?

- Cloud gaming will exist alongside consoles, mobile, and other platforms for the foreseeable future. Expect to see it's popularity grow and existing platforms push their subscription offerings.
- The big shift could come from exclusive titles that are only released for cloud. It's likely that enough AAA's won't be cloud exclusive to lure gamers away for some time. Expect to see FTP and subscriptions fight it and/or hybridize for the next decade.
- With releases of next-gen consoles (typical 7 year life-cycle) and the continued dominance of mobile gaming, we're likely to see a slow, but steady movement to cloud gaming.

Competitive personas

(Based on latest business model)



Competitive personas

Persona	Value Propositions	GTM	Current State	Examples
Mainstream Distributor (PC)	<p>For consumers: All of the major titles in a single place with convenient launchers.</p> <p>Exclusive titles. Epic, for instance, is doing many exclusive launches.</p> <p>For developers: A large market with many users. Success here means success with the title.</p>	<p>Produce and curate their own marketplaces. Use exclusive titles, wide-ranging selection, and easy to use features to attract audiences.</p> <p>These large marketplaces have strong network effects as gamers generally like to congregate on platforms to review and discuss games.</p>	<p>For general audiences, these platforms dominate the market.</p> <p>Some would argue that Steam isn't moving fast enough and will be overcome by innovative competitors.</p> <p>Steam has dominated the space for years but is receiving a strong challenge from Epic.</p>	<p>Steam</p> <p>Epic</p> <p>Gog.com</p>
Platform Distributor (Non-PC)	<p>For consumers: All of the major titles in a captive, convenient app store.</p> <p>For developers: A large market with many users. Success here means success with the title.</p>	<p>Launched directly on hardware purchased by the consumer. Consumers have the option of immediate satisfaction through the use of platform-specific app stores.</p>	<p>With the rise of digital distribution, platform specific stores are dominating their respective platforms.</p> <p>On consoles, users can still use physical games (many users still prefer a physical game).</p> <p>On devices, users can side-load, games to avoid the store, but this is uncommon.</p>	<p>Apple App Store</p> <p>Google Play</p> <p>Playstation Store</p> <p>Xbox Store</p> <p>Nintendo Store</p>

Competitive personas

Persona	Value Propositions	GTM	Current State	Examples
Indie distributor	<p>For consumers: A marketplace for niche indie games with many titles at low-to-no cost.</p> <p>For developers: A low barrier way to distribute (and market) your game. Often used as a vector for games that don't match the major marketplaces (like Steam).</p>	Generally speaking, the distributor creates an indie community built around the indie niche.	<p>There are several prominent indie distribution platforms that serve several hundred games and likely ~150K developers.</p> <p>These developers range from hobbyists to small game development studios.</p>	<p>Itch.io</p> <p>Game Jolt</p> <p>Humble Bundle (store + publishing + bundling + subscription)</p>
Resellers / Key Sellers	<p>For consumers: A one-stop-shop to buy and sell games.</p> <p>For developers: Can profit from new game sales, but often don't see much of an advantage from resold games.</p> <p>Digital resales are often detrimental to developers as they decrease the number of purchases that the developer sees revenue from.</p>	<p>Resellers can be brick and mortar (such as Gamestop) or can be completely digital.</p> <p>Those that are digital often struggle with an environment that is not setup for resold digital goods - G2A for example has been used in money laundering schemes and other crimes.</p>	<p>Brick and mortar gaming establishments are stumbling with the rise of digital (and COVID-19).</p> <p>Digital resellers, like G2A have proven to be popular (G2A has 20M users), yet the gaming market is unequipped to deal with digital resales and often comes under fire for illegal schemes and stolen keys.</p> <p>In-game item re-sellers have so far been a niche play, but have grown in popularity.</p>	<p>Gamestop (brick and mortar + digital)</p> <p>Kinguin API</p> <p>Greenmangaming</p> <p>G2A (20M users)</p> <p>Dmarket (2M visitors/mo.)</p> <p>Skinwallet</p>

Competitive personas

Persona	Value Propositions	GTM	Current State	Examples
White-label services	<p>For game sellers: Access to a pre-existing digital catalog of games. An alternative revenue source.</p> <p>For developers: Additional places to sell games. Easy distribution of keys</p> <p>For users: A way to support communities you like.</p>	Sell B2B through while-labeling stores, ecommerce plugins, or through APIs.	Niche, at best. Few examples of successful whitel-label stores.	<p>Codeswholesale (UAE)</p> <p>Parsec (cloud-gaming)</p> <p>Gforcenow (cross-platform cloud aggregator)</p> <p>Ubitus</p>
Gaming promotion	<p>For streamers: An additional way to monetize their streaming business. Also, a way to get new, fresh content out to users.</p> <p>For viewers: Entertainment, game-discovery</p> <p>For brands: A way to promote their products/games/services in a fun and engaging manner.</p>	<p>Generally provide a database of streamers scraped from streaming platforms. Sold to brands that use software and tools to make connections with streamers that fit their criteria.</p> <p>Can be a marketing agency model or a SaaS model.</p>	Promotion with streamers is mainstream for applicable brands. There is still much friction in the process as it generally isn't easy to reach out an interview 100s of streamers - although this is rapidly changing.	<p>Upfluence</p> <p>Unboxsocial</p> <p>Wehype</p>

Competitive personas

Persona	Value Propositions	GTM	Current State	Examples
Cloud gaming	<p>For gamers: Able to play games on any device for a monthly or per usage fee.</p> <p>For developers: Enables additional sales through more platforms. If already-owned, then developers receive no benefit.</p>	B2C cloud gaming rigs sold directly to gamers. Perfect for those that don't want to invest a large amount of money in buying a gaming rig.	Mostly niche, but projected to become more popular.	<p>Gforcenow (cross-platform cloud aggregator)</p> <p>Vortex.gg</p> <p>Loudplay</p> <p>Paperspace</p> <p>Rainway (cross-platform, owned, cloud gaming)</p>
Other (companies to keep an eye on)	<p>Polystream - in-game interaction for game streaming.</p> <p>Takes streaming engagement to the next level.</p> <p>User doesn't need to own the game. A new type of social network.</p> <p>Sold B2B.</p>			

Recommendations



A note on recommendations

While there are many opportunities in the larger gaming market, the recommendations provided below take into account only what Amplify is primed to capitalize on using their current relationships, expertise in the market, and competition in the space.

Because of this, these recommendations are focused purely in the PC gaming space and the macro trends in that space.

Baseline recommendations

Small to medium developers and publishers will need assistance bridging the gap between traditional and new business models.

- **Provide alternatives** - By being the alternative, you provide an outlet for those developers who want to choose how they distribute their games rather than being cornered by big gaming.
- **Business model in a box** - Provide new models “in a box” to devs/pubs which will attract the largest number of gamers. Each gamer persona has a model preference.
- **Address discovery** - For non-tier 1s, getting their game picked up is the difference between a failure and a giant success. Connecting the dots between those who make games and those who get them sold is key.
- **Take advantage of streaming** - Streamers are the influencers of the gaming community. Streamers generally have highly engaged audiences.

Baseline recommendations (cont.)

- **Create monetization options for users** - Gamers pour their hearts (and wallet) into games. Creating monetization options for end users (including streamers) will take their experiences to the next level.
- **Build relationships** - Because gaming is a new form of our digital social experience, it's important to help consumers build a lasting relationships with fellow gamers and even the game builders.
- **Provide a range of business models** - The larger the range of options the more of the gaming population you open yourself up to.
- **Aggregate and reduce barriers** - Most users appreciate a central repository for their games and purchases. Bringing together, rather than dispersing a users' experience will be beneficial.
- **Enable customized experiences** - With the mega-trend of customization, Amplify should enable the next generation of in-game purchases and rewards.

Baseline recommendations (cont.)

While they are generally accepted rules of thumb, here are a few recommendations to orient the offering:

- **Be simple, be easy** - Ease of implementation will be key - turnkey is the goal.
- **Be additive** - If it's just another option, it won't be used. The value proposition must be compelling and must impact the bottom line in the near term.
- **Be different** - Amplify should clearly differentiate itself from existing options. Avoid copycat status or just looking like just another indie option.
- **Be what Steam isn't** - If you can address the grievances of what gamers and devs/pubs hate about Steam, you'll attract a following.
- **Be authentic** - Gamers are adept at identifying inauthenticity and are vocal when brands make mistakes (intentional or not).
- **Learn from Epic** - Epic has done good and bad - learn from their (many) mistakes.

Opportunity 1: Enable game discovery

Non-AAA developers have a major difficulty with game discovery and being discovered can mean the difference between a massive failure and astounding success. Enabling effective game discovery could be a game changer for small to medium studios.

Pros: Likely the biggest pain point in the market for small to medium sized developers and publishers. The market timing for a solution is very good as the market will be in transition over the next 10 years.

Cons: Generally speaking, AAA games make up the bulk of the revenue in the gaming market. You need to be somewhat lucky to capitalize on an indie that takes off. Without a comprehensive platform value capture from discovery could be difficult.

Features: Built-in marketing, a database of influencers, distribution to *the right* influencers (streamers), analytics (to prove the value), connections with other popular gaming resources.

Opportunity 2: Fix the resale market

Game and item reselling in gaming outside of physical has been a problem for all parties involved - yet gamers still demand a secondary market. Solving this resale problem unlocks large amounts of value up and down the market.

Pros: The opportunity is big, with large amounts of gamers who want to own their games and have the rights to resell them. The opportunity gets even larger (arguably larger than game resales) if you can monetize the resale of items (cosmetics, etc.).

Cons: Changing the perspectives of developers/publishers will be difficult. Solving for the cannibalization of new game sales is a challenge. Will gamers be ok with publishers receiving a cut of what they may view as their property?

Features: Two-sided marketplace, escrow, multiple payment methods, digital wallets, a ledger of ownership, KYC/AML.

Opportunity 3: Solve game monetization

Developers and publishers are at the mercy of major distribution platforms. Other distribution platforms are niche. Create opportunities for devs/pubs to monetize off main distribution platforms.

Pros: Strong value proposition, if you can make the solution turn key. Developers and publishers have little to lose by taking a chance on the solution. Could be sold to other market participants, making the market opportunity much larger.

Cons: This may be too distracting from core businesses. Direct to consumer sales means having teams dedicated to supporting these sales. Are market participants open to staffing up to sell on other platforms or their own? Existing game stores may try to fast follow.

Features: Digital storefronts, various monetization options (subscriptions, pay to play, free to play), turn-key and self-service.

Recommendation: A hybrid approach

While each of these opportunities present a sizable market, the most venture-scale opportunity is at the intersection of all three.

Simply put, the biggest opportunity exists where Amplify can balance game discovery, new monetization, and resale.

The play: While the competition is fighting over territory with traditional game sales, leapfrog them with a next generation platform that benefits all participants in concert (publishers, developers, streamers, gamers).

The challenge: Creating new platforms, especially in gaming is notoriously costly. Hacking Amplify's way to growth is key - which can happen through game discovery.

Amplify Thesis Analysis



The Amplify thesis

Amplify games is attempting to become the shopify for games. This entails a three pronged business model that will attempt to merge stores, developers/publishers, and gaming influencers/ecosystem players.

It will provide a turn-key store with a pre-filled catalog for all participants so they can further monetize their activities in the gaming space.

Studios can easily sell directly, earning more margin. They also benefit from increased exposure through influencers/ecosystem participants' stores.

Influencers/ecosystem participants can monetize their following and promote games without relationship with studios.

Major risks for Amplify

Assumptions on conversion rates - Despite having a large potential reach within the gaming community, conversion rates could be far lower than expected, suppressing network revenue. Economics would break down in this case.

No demand among influencers - Top influencers could be inundated with profitable opportunities leaving only sub-par influencers to be customers.

Lack of exclusiveness - Influencers can be driven by exclusiveness of their offers. If every influencer is selling the same library of games, the market may be oversaturated.

Competition from affiliate programs - Amplify could be disrupted by a store offering highly-competitive affiliate fees and effective tech. Links could be more attractive than operating a store.

Major risks for Amplify (cont.)

No resources to run stores - The gaming sites, communities, and influencers may not have the resources to run and support a store. Without a guaranteed outcome, will Amplify stores be a viable solution for bootstrapped gaming ecosystem players?

Market noise - We've seen anecdotal evidence that more distribution isn't necessarily better (Tinybuild). Amplify could just be viewed as another distribution method that takes considerable time and energy.

Crowding of the store market - There are many viable stores in the market. It's an uphill battle to displace them.

Gamer's value proposition - Despite the obvious value proposition of supporting a ecosystem member, their may not be enough incentives to drive gamers away from existing platforms (like Steam). Don't forget to build in value propositions for gamers.

Major risks for Amplify (cont.)

Market changes - If the adoption of subscription or cloud gaming happens much faster than we believe, Amplify will be stuck with an antiquated business model. Indies could also be attracted by the short-term win that subscription platforms provide.

Customer adoption - Due to the previous risks could be significantly fewer stores created than initially anticipated. This will severely reduce the market size that Amplify can reach.

Commission assumptions - Prospects could reject the business model of having to operate a store and also pay commission.

Lack of tangible evidence - As with most startups, Amplify lacks evidence that this model will work in the way that was proposed. We recommend validating with primary sources before building.

Major risks for Amplify (cont.)

Network effects - With a multi-sided marketplace, generally speaking, the market becomes more valuable as the market is populated (in this case with games). Amplify will need to quickly reach a portfolio games that makes it attractive enough to run a store. Having too few games will lead to slow adoption by ecosystem participants. Consider ways to hack to a portfolio of popular games.

Game Selection - According to data estimates, the top 5% of games drive the vast majority of revenue for game stores (well above 80%). A strategy focusing only on indie games would exclude Amplify from a majority of the revenue in the market. It's critical that Amplify also include top titles in its portfolio to help the bottom line.

Economics of game sites*

Itch.io has publicly stated it doesn't focus on monetization

Site	Gog	Green Man	Humble	Itch	Game Jolt	GameBillet	Nuuvem	Fanatical	Gamers Gate	Indiegala	Allyouplay	Ave. Unit Economics
Description	Store+	Store	Bundles	Platform	Store +	Store	Store	Store +	Store	Store + Dev	Store	
Revenue	\$40,000,000	\$56,000,000	\$27,000,000	\$3,000,000	\$2,400,000	\$1,000,000	\$6,000,000	\$7,000,000	\$21,000,000	\$9,000,000	\$144,000	\$15,685,818
Visitors	144,000,000	31,200,000	168,000,000	204,000,000	52,800,000	2,400,000	8,400,000	48,000,000	4,800,000	24,000,000	720,000	\$62,574,545
R/V	\$0.28	\$1.79	\$0.16	\$0.01	\$0.05	\$0.42	\$0.71	\$0.15	\$4.38	\$0.38	\$0.20	\$0.77
Split	30%	30%	25%	10%	10%	20%	20%	20%	30%	20%	20%	21.36%
Gross	\$0.083	\$0.538	\$0.040	\$0.001	\$0.005	\$0.083	\$0.143	\$0.029	\$1.313	\$0.075	\$0.040	\$0.21

Outlier

Outlier

Median
\$0.075

Median
\$.28

There is a large discrepancy
between sites

Case study: Tinybuild

Tinybuild total annual revenue: \$10M/year

Assuming: Tinybuild becomes an Amplify customer opting for a publisher store and all games being distributed through Amplify Network.

Revenue:

- Store: \$100/month
- Games: \$200/month/game (49 games currently)
- Year 1 Ave revenue/game: ~\$50,000 (based on model) * 5% commission (conservative)

Bottom line:

- **Tinybuild:** \$2.45M in additional revenue per year, \$2,209,300 marginal profit
- **Amplify:** Subscription (store + games): \$1,200 + \$117,000, Commission: \$122,500 = **\$240,700**

Estimating the Amplify PC SAM

Method 1: According to The Business Research Company, the **global digital PC games market is \$10.5B** up from \$4.9B in 2019. The **market is expected to stabilize and reach \$9.3B** at a CAGR of 17% through 2023. According to **SuperData**, the **market to is \$5.3B** in size.

Digital PC Games Global Market Report 2020-30: COVID-19 Implications and Growth, May 2020 - The Business Research Company

Method 2: According to NewZoo, the global PC market is \$33.9B. Based on our data, we estimate 10% of those sales are boxed games. According to WARC Data, 80% of digital revenue was in-game purchases. With that taken into account, the **PC digital game sales market size is estimated to be ~\$6.1B**.

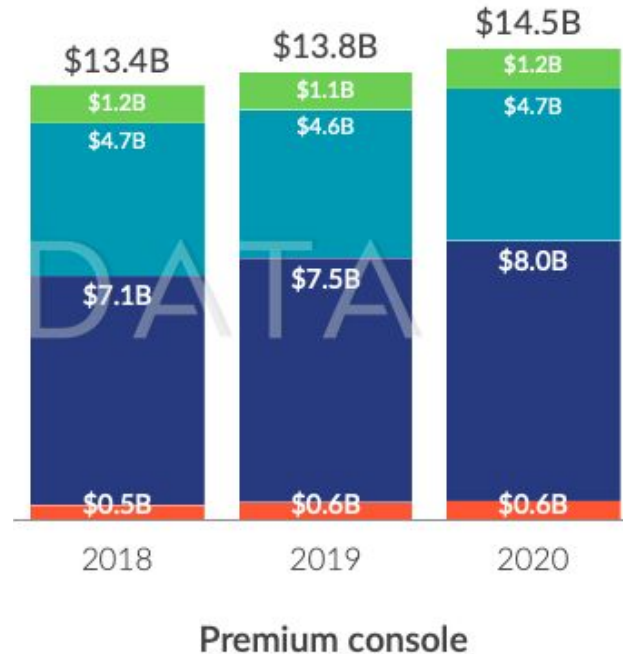
WARC - Ad Opportunities In Gaming + NewZoo - 2020 Global Games Markets Report + Entertainment Software Association

Method 3: Using market share, Steam holds 50-70% market share in PC digital games and has about \$4.3B in revenue. Using this, the **PC digital game market is roughly \$6.1B to \$8.6B**.

Summation: Given this, the size of the SAM is likely between \$6B to \$10B for PC digital game sales.

Amplify console SAM

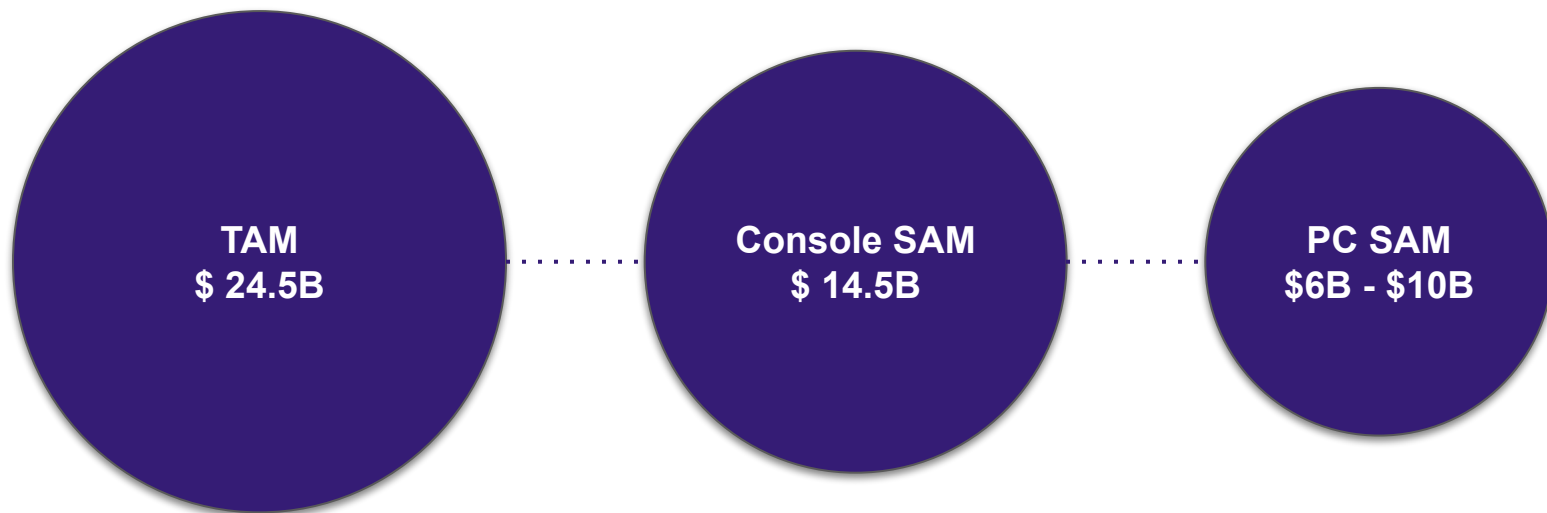
We believe the SuperData numbers to be roughly accurate. Game sales for console games is around a \$14.5B market.



Amplify TAM estimation

Given the prior two analyses, we believe the range for the Amplify TAM to be as follows:

- Low-end estimation: PC \$6B + \$14.5B console = \$20.5B
- High-end estimation: PC \$10B + 14.5B console = \$24.5B



Estimating the indie opportunity

There are an estimated number of 25K paid **indie games** (meaning that developers are monetizing) and an estimated 10K potential game stores. For the purposes of this analysis, donation-based monetization and AAA titles have been excluded. Also, future features, such as resales have been excluded.

Potential Revenue

- Commission: $25\text{K games} * \$65\text{K (low) to } \$185\text{K (high) game sales} * 7.5\% = \$122\text{M/yr to } \$346\text{M/yr}$
- Game subscription: $25\text{K games} * \$200/\text{month} = \60M/yr
- Store Subscription: $10\text{K potential game stores} * \$30/\text{month} = \$3.6\text{M/yr}$

Sensitivity Analysis

- Low-end = **\$182M**
- High-end = **\$410M**

See this [link](#) for estimated Steam sales as a comp for game sales numbers.

Amplify revenue vs market penetration rate

Total revenue given customer adoption.

Penetration	Game Revenue 25,000			Game Subscriptions 25,000			Game Stores 10,000			Blended		
	\$7,031	\$9,375	\$11,719	\$1,800	\$2,400	\$3,000	\$270	\$360	\$450	Blended 75%	Blended 100%	Blended 125%
60,000												
0.25%	\$439,453	\$585,938	\$732,422	\$112,500	\$150,000	\$187,500	\$6,750	\$9,000	\$11,250	\$558,703	\$744,938	\$931,172
0.50%	\$878,906	\$1,171,875	\$1,464,844	\$225,000	\$300,000	\$375,000	\$13,500	\$18,000	\$22,500	\$1,117,406	\$1,489,875	\$1,862,344
1.50%	\$2,636,719	\$3,515,625	\$4,394,531	\$675,000	\$900,000	\$1,125,000	\$40,500	\$54,000	\$67,500	\$3,352,219	\$4,469,625	\$5,587,031
2.00%	\$3,515,625	\$4,687,500	\$5,859,375	\$900,000	\$1,200,000	\$1,500,000	\$54,000	\$72,000	\$90,000	\$4,469,625	\$5,959,500	\$7,449,375
3.00%	\$5,273,438	\$7,031,250	\$8,789,063	\$1,350,000	\$1,800,000	\$2,250,000	\$81,000	\$108,000	\$135,000	\$6,704,438	\$8,939,250	\$11,174,063
4.00%	\$7,031,250	\$9,375,000	\$11,718,750	\$1,800,000	\$2,400,000	\$3,000,000	\$108,000	\$144,000	\$180,000	\$8,939,250	\$11,919,000	\$14,898,750
5.00%	\$8,789,063	\$11,718,750	\$14,648,438	\$2,250,000	\$3,000,000	\$3,750,000	\$135,000	\$180,000	\$225,000	\$11,174,063	\$14,898,750	\$18,623,438
6.00%	\$10,546,875	\$14,062,500	\$17,578,125	\$2,700,000	\$3,600,000	\$4,500,000	\$162,000	\$216,000	\$270,000	\$13,408,875	\$17,878,500	\$22,348,125
7.00%	\$12,304,688	\$16,406,250	\$20,507,813	\$3,150,000	\$4,200,000	\$5,250,000	\$189,000	\$252,000	\$315,000	\$15,643,688	\$20,858,250	\$26,072,813
8.00%	\$14,062,500	\$18,750,000	\$23,437,500	\$3,600,000	\$4,800,000	\$6,000,000	\$216,000	\$288,000	\$360,000	\$17,878,500	\$23,838,000	\$29,797,500
9.00%	\$15,820,313	\$21,093,750	\$26,367,188	\$4,050,000	\$5,400,000	\$6,750,000	\$243,000	\$324,000	\$405,000	\$20,113,313	\$26,817,750	\$33,522,188
10.00%	\$17,578,125	\$23,437,500	\$29,296,875	\$4,500,000	\$6,000,000	\$7,500,000	\$270,000	\$360,000	\$450,000	\$22,348,125	\$29,797,500	\$37,246,875
11.00%	\$19,335,938	\$25,781,250	\$32,226,563	\$4,950,000	\$6,600,000	\$8,250,000	\$297,000	\$396,000	\$495,000	\$24,582,938	\$32,777,250	\$40,971,563
12.00%	\$21,093,750	\$28,125,000	\$35,156,250	\$5,400,000	\$7,200,000	\$9,000,000	\$324,000	\$432,000	\$540,000	\$26,817,750	\$35,757,000	\$44,696,250
13.00%	\$22,851,563	\$30,468,750	\$38,085,938	\$5,850,000	\$7,800,000	\$9,750,000	\$351,000	\$468,000	\$585,000	\$29,052,563	\$38,736,750	\$48,420,938
14.00%	\$24,609,375	\$32,812,500	\$41,015,625	\$6,300,000	\$8,400,000	\$10,500,000	\$378,000	\$504,000	\$630,000	\$31,287,375	\$41,716,500	\$52,145,625
15.00%	\$26,367,188	\$35,156,250	\$43,945,313	\$6,750,000	\$9,000,000	\$11,250,000	\$405,000	\$540,000	\$675,000	\$33,522,188	\$44,696,250	\$55,870,313
16.00%	\$28,125,000	\$37,500,000	\$46,875,000	\$7,200,000	\$9,600,000	\$12,000,000	\$432,000	\$576,000	\$720,000	\$35,757,000	\$47,676,000	\$59,595,000
17.00%	\$29,882,813	\$39,843,750	\$49,804,688	\$7,650,000	\$10,200,000	\$12,750,000	\$459,000	\$612,000	\$765,000	\$37,991,813	\$50,655,750	\$63,319,688
18.00%	\$31,640,625	\$42,187,500	\$52,734,375	\$8,100,000	\$10,800,000	\$13,500,000	\$486,000	\$648,000	\$810,000	\$40,226,625	\$53,635,500	\$67,044,375
19.00%	\$33,398,438	\$44,531,250	\$55,664,063	\$8,550,000	\$11,400,000	\$14,250,000	\$513,000	\$684,000	\$855,000	\$42,461,438	\$56,615,250	\$70,769,063
20.00%	\$35,156,250	\$46,875,000	\$58,593,750	\$9,000,000	\$12,000,000	\$15,000,000	\$540,000	\$720,000	\$900,000	\$44,696,250	\$59,595,000	\$74,493,750
21.00%	\$36,914,063	\$49,218,750	\$61,523,438	\$9,450,000	\$12,600,000	\$15,750,000	\$567,000	\$756,000	\$945,000	\$46,931,063	\$62,574,750	\$78,218,438
22.00%	\$38,671,875	\$51,562,500	\$64,453,125	\$9,900,000	\$13,200,000	\$16,500,000	\$594,000	\$792,000	\$990,000	\$49,165,875	\$65,554,500	\$81,943,125
23.00%	\$40,429,688	\$53,906,250	\$67,382,813	\$10,350,000	\$13,800,000	\$17,250,000	\$621,000	\$828,000	\$1,035,000	\$51,400,688	\$68,534,250	\$85,667,813
24.00%	\$42,187,500	\$56,250,000	\$70,312,500	\$10,800,000	\$14,400,000	\$18,000,000	\$648,000	\$864,000	\$1,080,000	\$53,635,500	\$71,514,000	\$89,392,500
25.00%	\$43,945,313	\$58,593,750	\$73,242,188	\$11,250,000	\$15,000,000	\$18,750,000	\$675,000	\$900,000	\$1,125,000	\$55,870,313	\$74,493,750	\$93,117,188

\$781M in top line network sales

Recommendation

Proceed with caution. Make small, concentrated bets and re-evaluate regularly.

Despite a large market, Amplify is entering a crowded space with several well established competitors. To make matters more complicated, Amplify is targeting the low-end of the market which is drastically smaller than the high-end. Amplify will receive pressure from all sides of the market, but has the potential to succeed through innovative distribution practices and unique value propositions.

Mitigate risks through primary interviews and growth experiments that are designed to prove out Amplify's thesis with minimal capital expenditure. We recommend:

- Primary interviews with prospects (devs, pubs, influencers, game sites, etc.)
- Pre-sale experiments with clickable prototypes/wireframes
- Launching on a platform like product hunt or a gaming specific version to understand consumer responses
- Embrace top titles early to open up the market size and drive revenue

Appendix

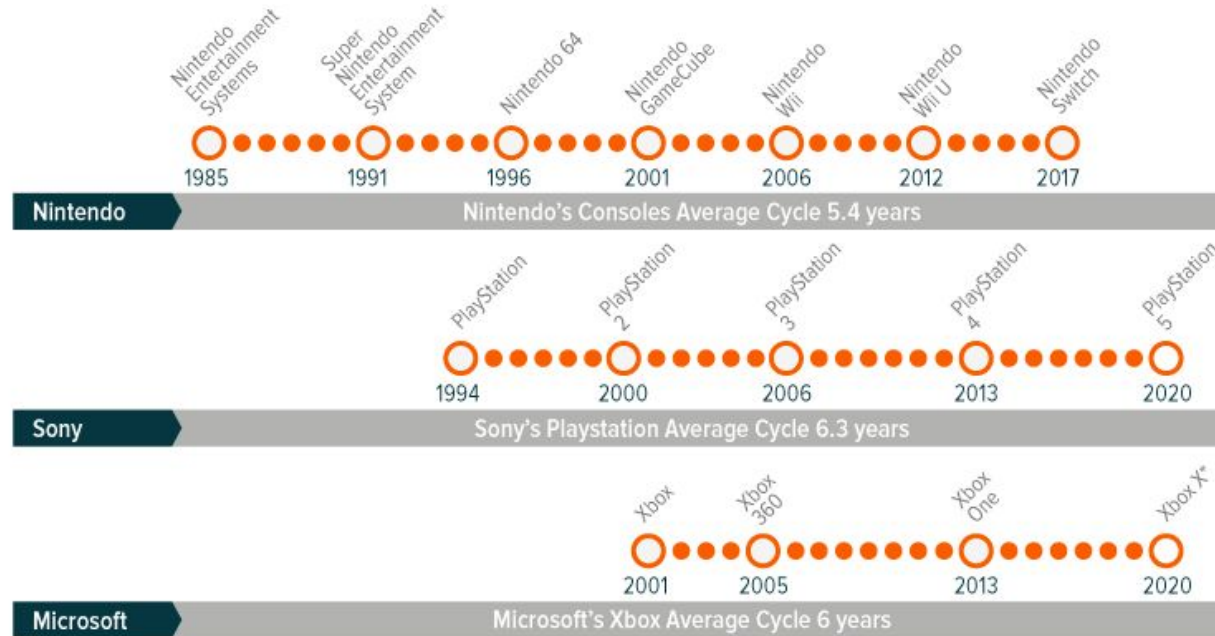


Definitions

- **Game Revenues** - Consumer revenues generated by companies in the global games industry, excluding hardware sales, tax, advertising, business-to-business services, and online gambling and betting revenues.
- **Gamers/Players** - All people that have played games on a PC, console or mobile device in the past six months.
- **Downloaded/Digital Games** - PC or console that can be downloaded from websites or services such as Steam or Playstation Store.
- **Boxed Games** - PC or console games purchased as a boxed product (DVD/Blu Ray)
- **Cloud Games** - Games that can be streamed onto nearly any device where the computing for the game is done remotely.
- **Browser PC Games** - PC games that can be played in an internet browser on casual game websites or social networks (e.g. Kongregate, Miniclip or Facebook)
- **Console Games** - Games played on a console device either on the TV screen directly or through a console on a handheld console.
- **Smartphone/Mobile Games** - Games played on mobile smartphones.

Console life cycles

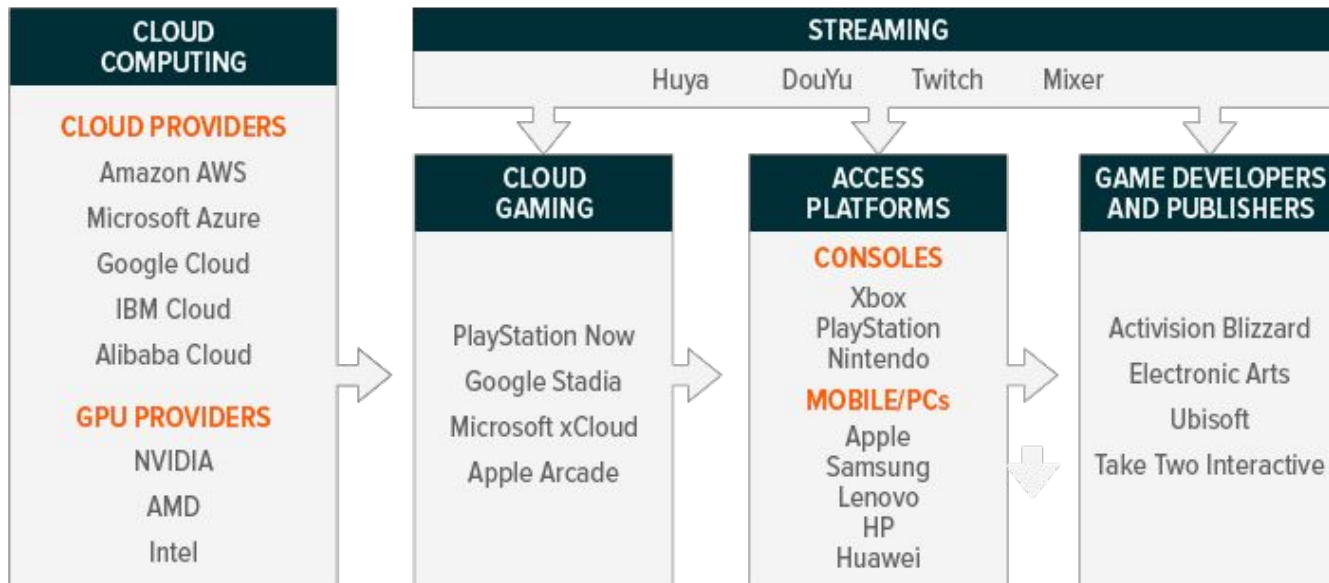
Source: Global X Research, Companies' Announcements.



*Estimate

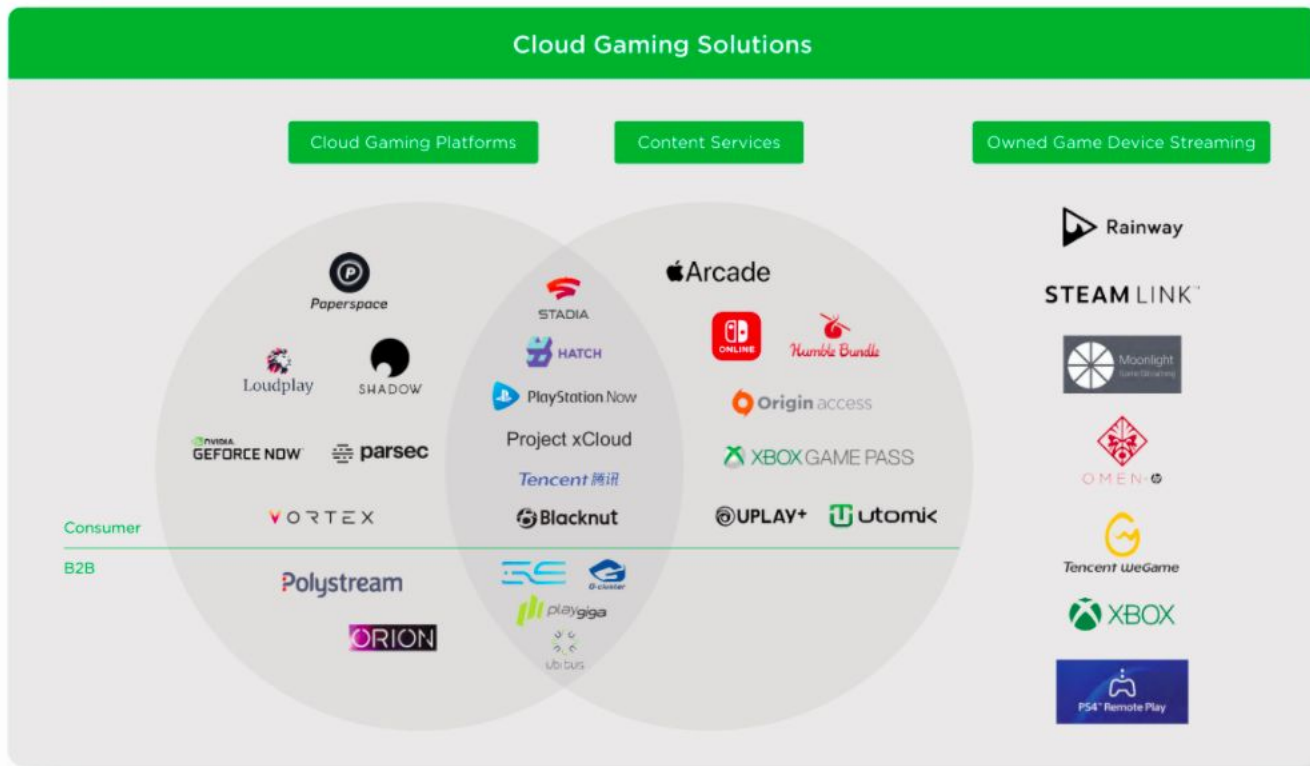
Cloud gaming ecosystem

Source: Global X Research.

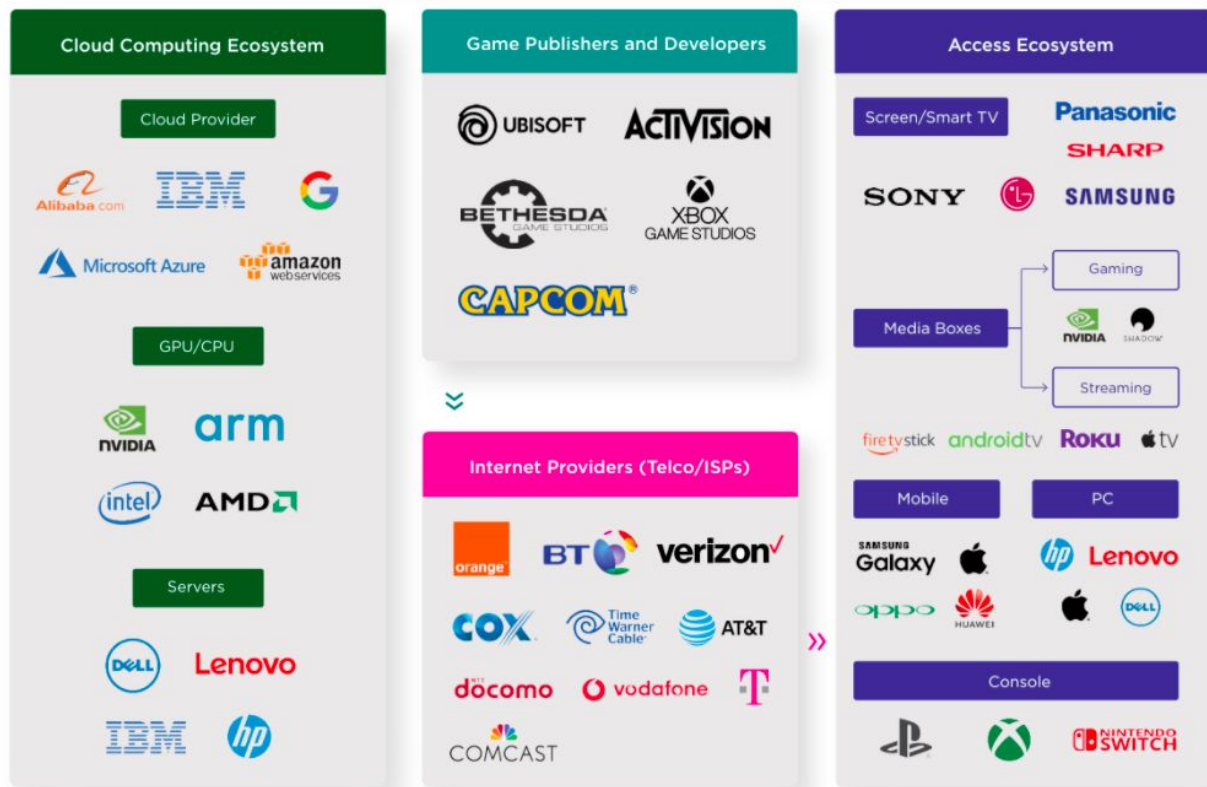


Note: The companies above are examples and do not constitute the entirety of these segments.

Cloud gaming ecosystem (cont.)



Cloud gaming ecosystem (cont.)



Risks for developers and publishers

- **Single-game risk** - Occurs when a company is too dependent upon a single game or franchise's success.
- **Regulatory risk** - Risk that a change in laws and regulations will materially impact gaming revenues.
 - For example: Loot boxes (a type of item purchased in-game) have also come under fire from some governments who viewed loot boxes as a form of gambling that was easily accessible to children.
- **Competitive risk** - New entrants into the industry could potentially affect video game companies with high exposure to the mobile gaming segment.
- **Return to normalcy risk** - Risk that video games fall out of favor with consumers once the COVID-19 pandemic fades away.

Anecdotes from indie developers

- The current indie market likes unique, high-concept games
 - Commentary: You can't beat AAA titles with their tactics, but there is a niche for unique, well thought out games.
- Indie devs consider launching their games on Steam and porting them to consoles later to pick up new audiences (and sales)
 - Commentary: Launch and find a footing before developing for all platforms
- Market overcrowding (noise) causing good games to go unnoticed (and unsold)
- More content -- more levels, more characters, more “quality” -- doesn't translate to more sales. What translates to sales is uniqueness.
 - Commentary: Focus on uniqueness and fun factor, not quantity.

Key publishers and developers

Name	Publisher	Developer	Console	Chips	Esports	Mobile Gaming	Hardware	Live Streaming
Activision Blizzard	✦	✦			✦	✦		
Electronic Arts	✦	✦			✦	✦		
Tencent Holdings	✦	✦			✦	✦		
Nintendo	✦	✦	✦			✦	✦	
NetEase	✦	✦			✦	✦		
Sea	✦	✦			✦	✦		
Take-Two Interactive Software	✦	✦			✦	✦		
Ubisoft Entertainment	✦	✦			✦	✦		
Zynga	✦	✦				✦		
Bilibili	✦	✦			✦	✦		✦
CD Projekt S.A.	✦	✦			✦	✦		
NCSOFT	✦	✦			✦	✦		
Nexon	✦	✦				✦		
Square Enix	✦	✦			✦	✦		
Capcom	✦	✦			✦	✦		
Netmarble	✦	✦				✦		
Konami	✦	✦			✦	✦		
Embracer Group	✦	✦				✦		
Stillfront	✦	✦				✦		
Dena	✦	✦				✦		

Sources



Sources

We have used many resources to assemble this report. Some of the information in this report is directly quoted or paraphrased from those resources to provide the best picture of the data. All of the conclusions are original and were drawn from these sources. Below is a list of sources:

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