



EMERGING TECH RESEARCH

Gaming Report

VC trends and emerging opportunities

Q3
2023

REPORT PREVIEW

The full report is available through the PitchBook Platform.





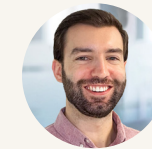
Contents

| | |
|----------------------------------|-----------|
| Vertical update | 3 |
| Q3 2023 timeline | 6 |
| Gaming landscape | 7 |
| Gaming VC ecosystem market map | 8 |
| VC activity | 9 |
| Emerging opportunities | 17 |
| Analytics | 18 |
| Web3 games | 21 |
| Select company highlights | 24 |
| Pahdo Labs | 25 |
| Embrace | 26 |
| Story Protocol | 27 |

We are adding PitchBook Exit Predictor probabilities to our Emerging Technology Research reports. PitchBook's proprietary [VC Exit Predictor](#) estimates the probability that a startup, or VC-backed company, will successfully IPO, be acquired, or merge. The tool is available exclusively to PitchBook subscribers.

Institutional Research Group

Analysis



Eric Bellomo Analyst, Emerging Technology
eric.bellomo@pitchbook.com
pbinstitutionalresearch@pitchbook.com

Data

TJ Mei Data Analyst

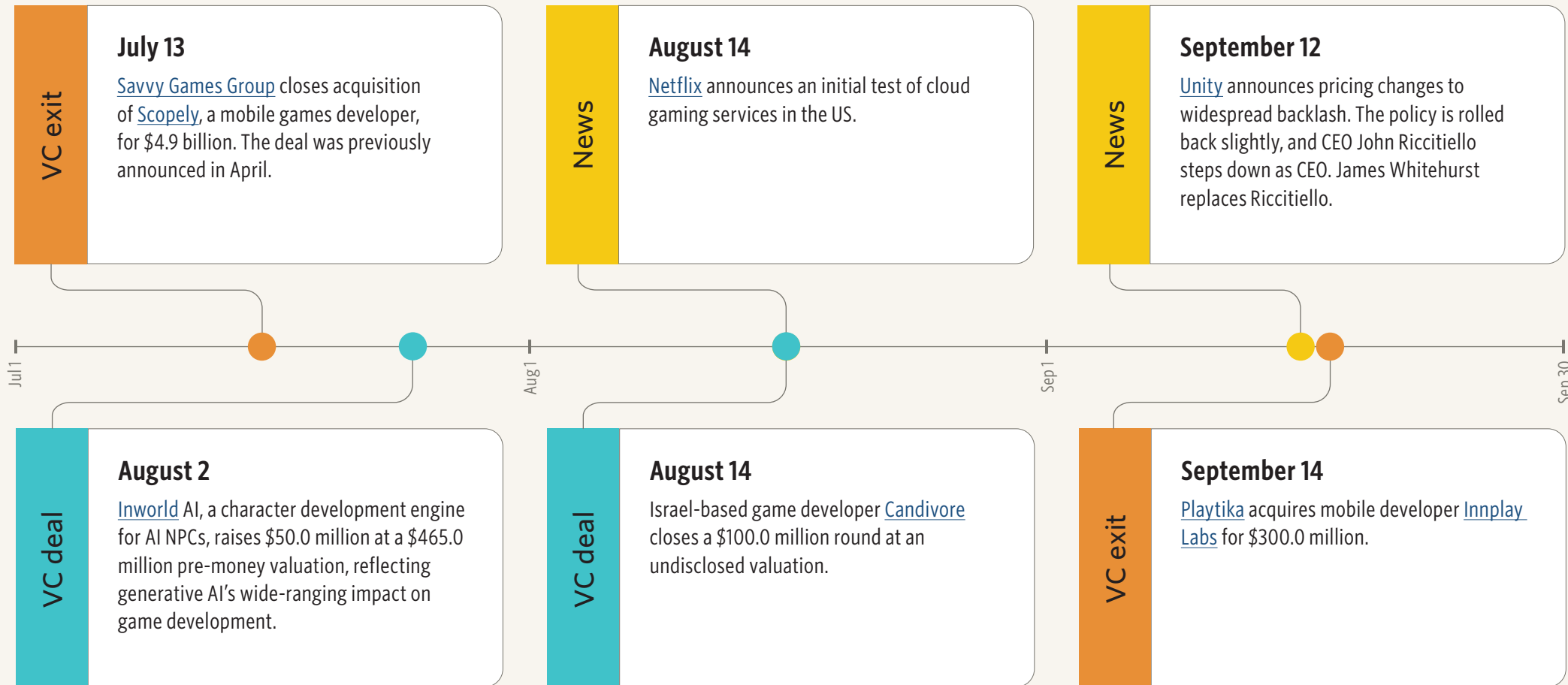
Publishing

Report designed by **Jenna O'Malley**

Published on November 14, 2023



Q3 2023 timeline



Q3 VC deal count summary

113
 total deals

-10.3%
 QoQ growth

-50.2%
 YoY growth

-53.9%
 YTD growth

Q3 VC deal value summary

\$0.9B
 total deal value

-35.3%
 QoQ growth

-67.5%
 YoY growth

-76.1%
 YTD growth



Gaming landscape

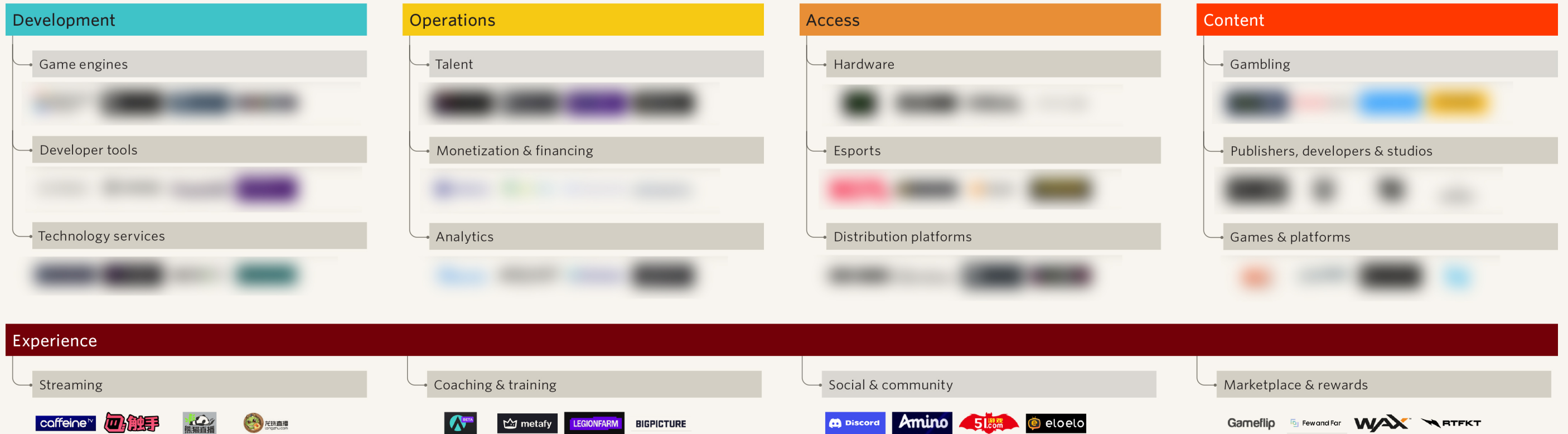
- 1** Development
- 2** Operations
- 3** Access
- 4** Content
- 5** Experience





Gaming VC ecosystem market map

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.





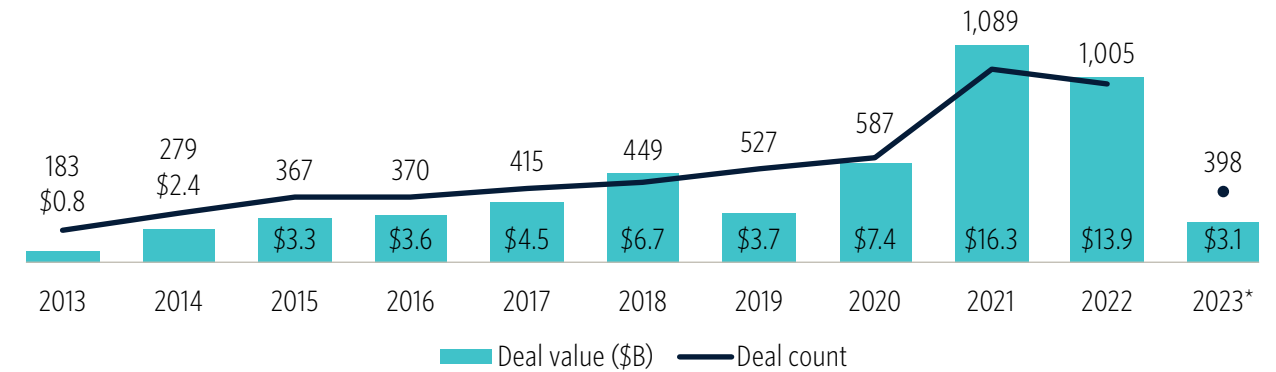
VC activity

The gaming startup ecosystem experienced a regression in both deal count and value in Q3, totaling 113 deals for \$857.0 million, decreases of 10.3% and 35.3%, respectively. Both figures also represent substantial step-backs YoY, with deal value falling 67.5% and deal count sliding 50.2%. Despite the QoQ step-back, gaming VC activity appears to have reached a nadir, with the last four quarters generating between \$800 million and \$1.1 billion in investment. 2023 is currently on pace to narrowly exceed 2019's \$3.7 billion invested.

The content segment captured the largest portion of investment activity, totaling \$514.2 million across 66 deals, more than doubling the next highest segment (development, \$247.7 million). The remaining categories each failed to exceed \$35 million in investment. Notable deals for content developers included [Candivore's](#) \$100.0 million late-stage round, [Second Dinner's](#) \$90.0 million Series B, and [Whaleapp's](#) \$50.0 million late-stage round. Notable development deals include [Futureverse](#), a blockchain technology platform, with a \$54.0 million Series A; [Inworld](#), a platform for AI-powered NPCs (\$50.0 million Series A1); and [Luma AI](#), a 3D asset-generation platform (\$25.5 million early-stage round).

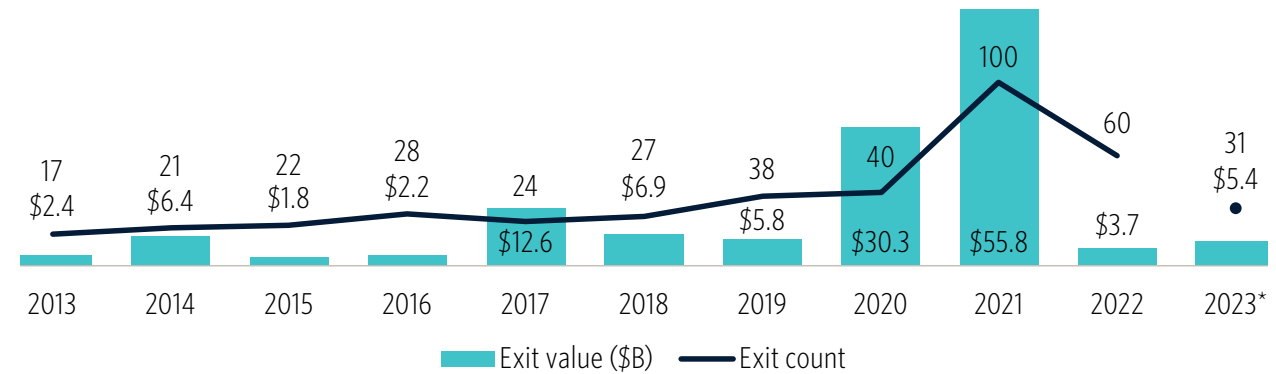
Early-stage deals accounted for the largest portion of VC investment, totaling \$353.0 million, narrowly edging out late-stage deals at \$299.0 million and reversing a trend in the two preceding quarters in which late-stage deals led all categories. Three-fourths of the way through 2023, the count of early-stage and seed/pre-seed deals totals more than 70% of all VC deal activity. Venture growth deals have receded significantly, accounting for more than 30% of deals in 2020 and 20% of deals in 2021, but only 5.8% in 2023. Late-stage deals have taken the largest step forward, increasing from 23.9% in 2022 to 46.1% YTD in 2023. Early-stage and seed/pre-seed deals have contracted slightly.

Gaming VC deal activity



Source: PitchBook • Geography: Global • *As of September 30, 2023

Gaming VC exit activity



Source: PitchBook • Geography: Global • *As of September 30, 2023



VC ACTIVITY

Key gaming early-stage VC deals in Q3*

| Company | Close date (2023) | Segment | Deal value (\$M) | Post-money valuation (\$M) | Lead investor(s) | Valuation step-up |
|-------------------------------|-------------------|-------------|------------------|----------------------------|---|-------------------|
| Futureverse | July 18 | Development | \$54.0 | N/A | 10T Holdings | N/A |
| Inworld | August 2 | Development | \$50.0 | \$515.0 | Lightspeed Venture Partners | 2.2x |
| Heynext | July 20 | Content | \$30.0 | N/A | N/A | N/A |
| Luma AI | August 25 | Development | \$25.5 | N/A | N/A | N/A |
| Manta Network | July 19 | Development | \$25.0 | \$500.0 | Polychain Capital, Qiming Venture Partners | N/A |
| eloelo | September 20 | Experience | \$22.0 | N/A | Courtside Ventures, Griffin Gaming Partners | N/A |
| Matchday | August 3 | Content | \$21.0 | N/A | N/A | N/A |
| Mountaintop | September 21 | Content | \$20.5 | \$123.0 | N/A | 1.2x |
| Xterio | July 13 | Content | \$15.0 | N/A | N/A | N/A |
| Spline | July 13 | Development | \$15.0 | N/A | Gradient Ventures | N/A |

Source: PitchBook • Geography: Global • *As of September 30, 2023



VC ACTIVITY

Top VC-backed gaming companies by total VC (\$M) raised to date*

| Company | VC (\$M) raised to date | Category | HQ location | IPO probability | M&A probability | No exit probability |
|------------------------------|-------------------------|----------------------------------|---------------------|-----------------|-----------------|---------------------|
| Epic Games | \$5,750.0 | Publishers, developers & studios | Cary, US | 29% | 69% | 2% |
| Dream Sports | \$1,182.5 | Gambling | Mumbai, India | 64% | 34% | 2% |
| Voodoo | \$1,115.4 | Publishers, developers & studios | Paris, France | 79% | 19% | 2% |
| Niantic | \$780.0 | Publishers, developers & studios | San Francisco, US | 47% | 51% | 2% |
| Sorare | \$738.0 | Games & platforms | Saint-Mandé, France | 12% | 86% | 2% |
| Dapper Labs | \$643.4 | Publishers, developers & studios | Vancouver, Canada | 35% | 60% | 5% |
| Dream Games | \$467.5 | Publishers, developers & studios | Istanbul, Turkey | 3% | 92% | 5% |
| Hero Games | \$370.8 | Publishers, developers & studios | Beijing, China | N/A | N/A | N/A |
| Mythical | \$319.5 | Publishers, developers & studios | Los Angeles, US | 28% | 70% | 2% |
| Hike | \$261.0 | Games & platforms | New Delhi, India | 48% | 50% | 2% |

Source: PitchBook • Geography: Global • *As of September 30, 2023
 Note: Probability data is based on [PitchBook VC Exit Predictor methodology](#).



SELECT COMPANY HIGHLIGHTS: STORY PROTOCOL

STORY PROTOCOL

| | | |
|------------------------------------|--|--|
| Founded 2023 | Total raised \$84.0M | Last financing valuation N/A |
| HQ location Bellevue, US | Last financing Raised \$54.0M in early-stage VC deal | |
| Exit Predictor | | |
| IPO probability 9% | M&A probability 82% | No exit probability 9% |

Note: Probability data is based on [PitchBook VC Exit Predictor methodology](#).

Overview

[Story Protocol](#) is an open-source infrastructure for applications to track content provenance, licensing, and attribution. The platform gives creators of all media the ability to track how IP is used and iterated across platforms while sharing in the created revenue. The company points to

the advent of generative AI, which has met with differing levels of reception from creators, as a catalyst for the adoption of blockchain technology to manage content verification and trust in the absence of legal or technical infrastructure to support how content is integrated..

Leadership

[Story Protocol](#) was co-founded by S.Y. Lee, Jason Levy, and Jason Zhao. Lee holds a degree in politics, philosophy, and economics from Oxford University and founded Radish Fiction. When Radish was acquired by Kakao Media, Lee became Kakao's global strategy officer before joining Hashed as a venture partner and founding [Story Protocol](#). Levy graduated from Stanford's Graduate School of Business and held a director-level position at [Pocket Gems](#) before leading Worlds Between Worlds. Levy also held multiple finance-oriented roles at [Apple](#) prior to pursuing a graduate degree. Zhao earned graduate and undergraduate degrees from Stanford before working in Google DeepMind's product organization.

Financing history

In September 2023, [Story Protocol](#) closed its second round of financing in less than six months. The startup raised a \$30.0 million seed round in March and a \$54.0 million early-stage deal at the end of Q3. The deal was led by [Andreessen Horowitz](#) with participation from Samsung NEXT, Paris Hilton's 11:11 Median, Alliance DAO, Foresight Ventures, and others. These deals arrived during an otherwise challenging environment for crypto and blockchain startups and aim to focus on ownership and incentives in the forthcoming era of generative AI.

About PitchBook Industry and Technology Research

Independent, objective, and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Industry and Technology Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

©2023 by PitchBook Data, Inc. All rights reserved. No part of this publication may be reproduced in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, taping, and information storage and retrieval systems—without the express written permission of PitchBook Data, Inc. Contents are based on information from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Nothing herein should be construed as any past, current or future recommendation to buy or sell any security or an offer to sell, or a solicitation of an offer to buy any security. This material does not purport to contain all of the information that a prospective investor may wish to consider and is not to be relied upon as such or used in substitution for the exercise of independent judgment.

PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Paul Condra Head of Emerging Technology Research

Additional research

Eric Bellomo
eric.bellomo@pitchbook.com
Gaming
E-Commerce

Brendan Burke
brendan.burke@pitchbook.com
Internet of Things
Information Security
Artificial Intelligence & Machine Learning

Aaron DeGagne
aaron.degagne@pitchbook.com
Medtech
Digital Health

Alex Frederick
alex.frederick@pitchbook.com
Agtech
Foodtech

Jonathan Geurkink
jonathan.geurkink@pitchbook.com
Supply Chain Tech
Mobility Tech

Kazi Helal
kazi.helal@pitchbook.com
Biopharma
Pharmatech

Derek Hernandez
derek.hernandez@pitchbook.com
Enterprise SaaS
Infrastructure SaaS

Ali Javaheri
ali.javaheri@pitchbook.com
Emerging Spaces

Robert Le
robert.le@pitchbook.com
Insurtech
Crypto

John MacDonagh
john.macdonagh@pitchbook.com
Carbon & Emissions Tech
Clean Energy Tech

Rebecca Springer
rebecca.springer@pitchbook.com
Healthcare Services
Healthcare IT

Rudy Yang
rudy.yang@pitchbook.com
Enterprise Fintech
Retail Fintech