

Games - \$100b industry ready for Balkan boats



Your global partner for growth

@dhebel

FGPE – A leading European technology growth investor

Partnering with European entrepreneurs since 1995

- Highly experienced technology investor, committed to helping European entrepreneurs with aspirations for greatness build global success stories
- Launched £100M technology fund in 2010 dedicated towards European growth technology companies

Current portfolio, including recent exits

neverfail
Data protection software

seatwave
Online marketplace

stylistpick
Social e-commerce

neotechnology
value in relationships
Database software

wahanda
Online marketplace

CURAM¹
SOFTWARE
Social enterprise software

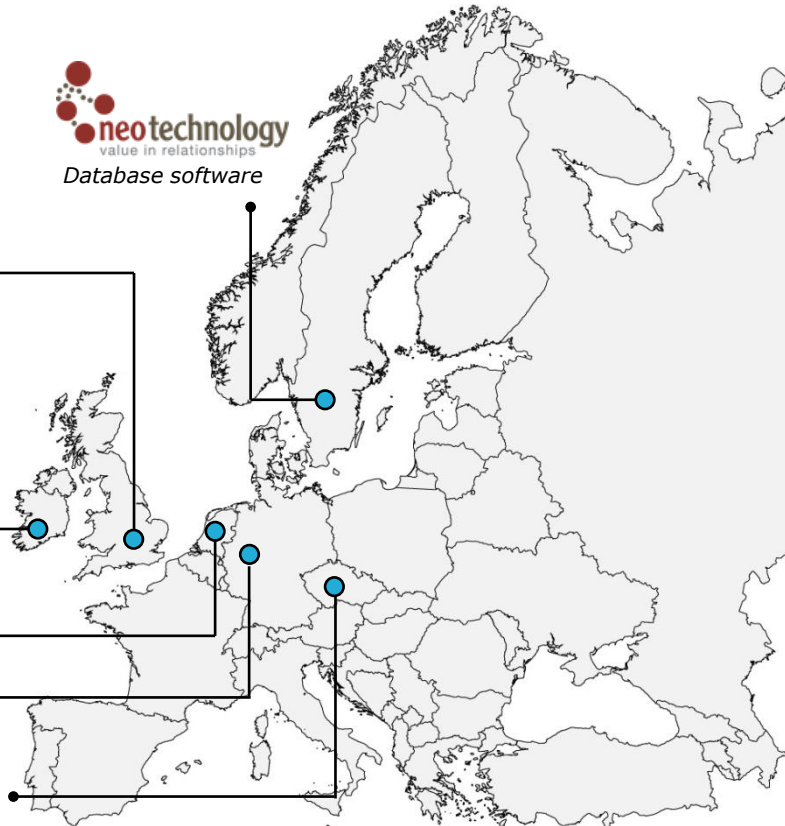
newbay²
Mobile rich-media platform

QUMAS
Compliance software

AssetControl
Data management software

InnoGames
Online games

GoodData
Cloud business intelligence software



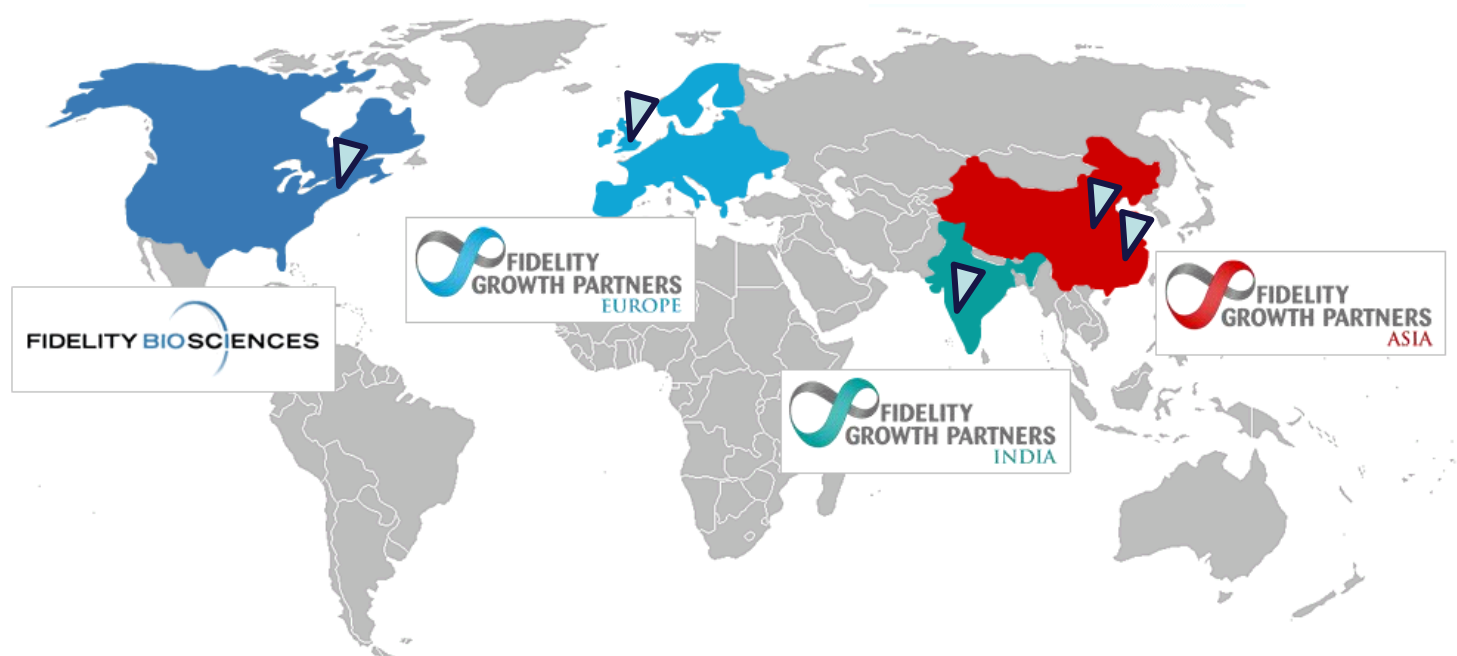
Note(s): 1. Acquired by RIM in Nov-11; 2. Acquired by IBM in Dec-11

Part of a global investment network

"We chose Fidelity because we wanted a backer with an international profile."

John Hearne, CEO, Curam

- FGPE is part of a network of \$1B network of global growth funds with access to on-the-ground investment teams across the world, including in the U.S., China and India
- Successes include companies like Atari, AliBaba, and Wuxi App Tec
- We are affiliated with Fidelity, one of the world's largest mutual fund managers and a leading long-term investor in listed, global technology companies



Gaming success in FGPE portfolio - Innogames

Building great games companies occurs in unusual places

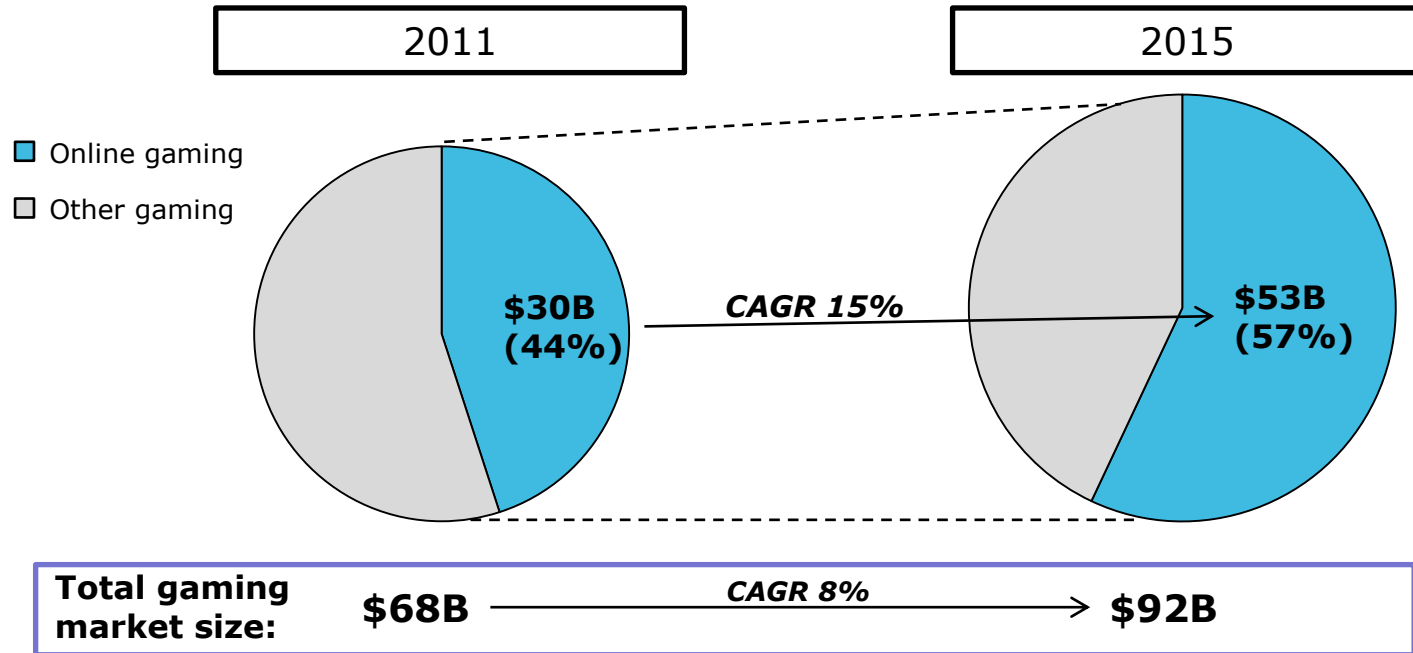


- Founded in 2003 in suburbs of Hamburg, Germany by two brothers and a friend, college dropouts
- Browser-based, MMOG company with focus on free-to-play strategy and RPG
- Bootstrapped into \$x0m+ in revenue, highly profitable, growing fast; 90% through virtual items
- About 75 million registered players
- Latest game Forge of Empires @ 1M+ monthly active users after 3 months
- Our focus has been building out the company: growth strategy, Chairman from EA, CFO, CMO, Head of development, expansion



Gaming is the fastest growing form of media

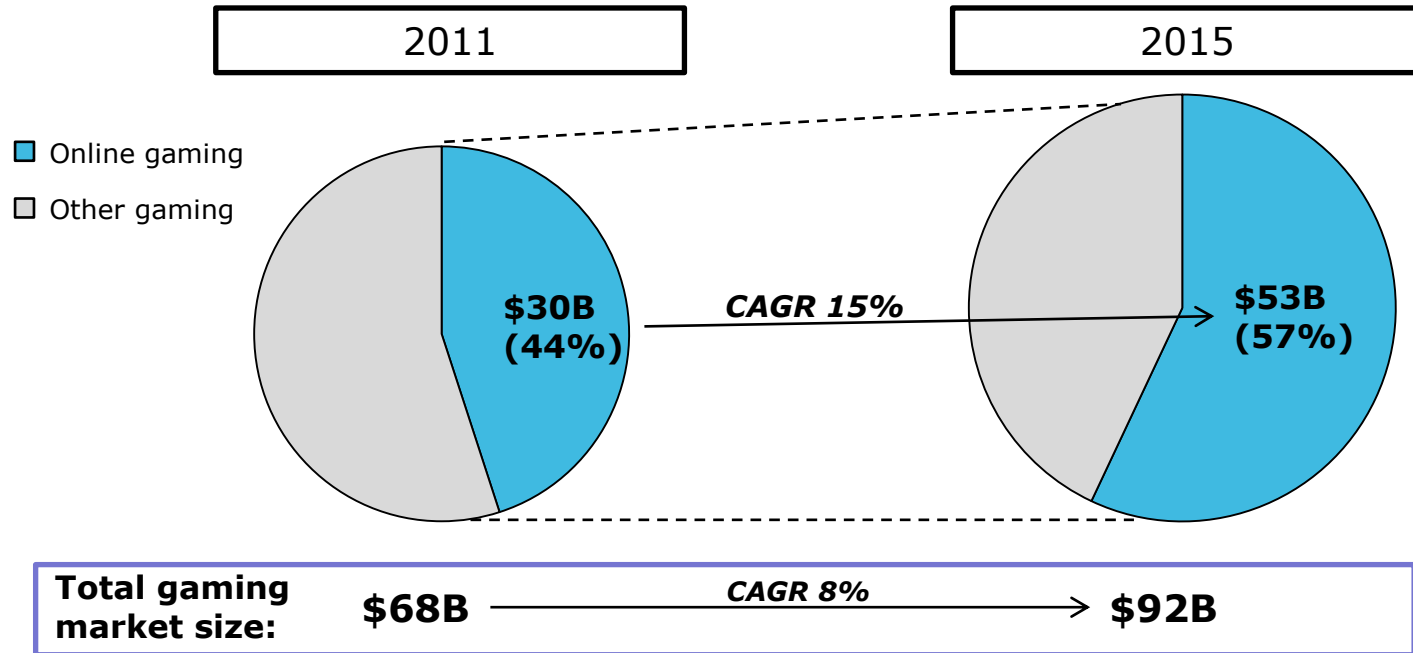
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Online gaming alone to be larger than music or magazines by 2015



Industry	Market size (2015)	CAGR (2011-2015)
Film	\$118B	7%
Newspapers	\$78B	1%
Magazines	\$43B	2%
Music	\$20B	(2%)

Awesome games are for everyone?



Console video games are a capital intensive hit-driven business:

Average AAA console title development cost @ \$20-30m (often above \$50m)...

Years of development before shipping boxes into offline distribution

Call of Duty Modern Warfare = \$1B in 16 days! (hard to make that online)

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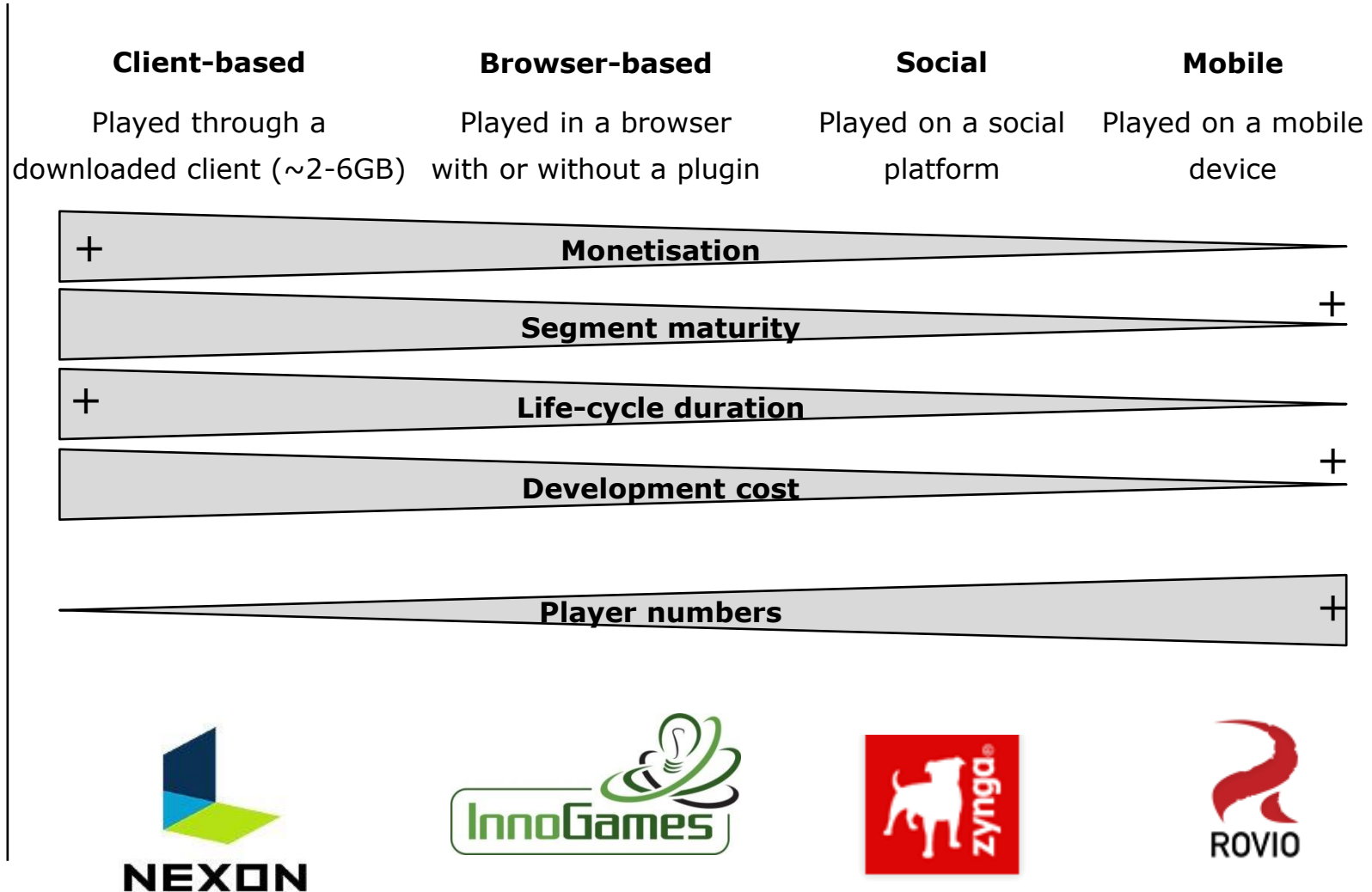
Online paradigm transformed the world of gaming:

- **Moore's Law:** Current personal devices more powerful than last gen consoles (iPhone 4 vs. PS3)
- **Everyone is a gamer:** 1B players who have played a game
- **Low capital intensity (still):** Launch a minimum-viable-product then iterate (\$100ks), casual games driven by game-play not only graphics
- **Ubiquitous connectivity:** People can access games on their mobiles or online, anyone can be a developer and launch a game
- **Monetisation:** Virtual goods selling enabling better price discrimination and try-before-you-buy engagement



Different types of games have different characteristics

Lines are increasingly blurring across the types as companies attempt to diversify



New media giants in the US...

Explosive growth has created large companies in short few years



- Founded in 2007 in California
- \$1.1B in 2011 revenue (\$20, \$120, \$600M 2008-2010)
- Built a dominant position developing social games on Facebook, first mover advantage through viral features (Facebook quickly started restricting aggressive virality features)
- Currently 330M MAUs/50M DAUs despite all the financial and stock performance issues



...and in Europe

Lots of growth still ahead for the market irrespective of the future of individual companies



- Founded in 2003 in Finland by college students
- Developed 51 unsuccessful games, Angry Birds was 52nd
- Rumoured 2012 profits \$100m+
- 200,000 years played; 300M minutes daily
- Now at 1B+ downloads attempting to be “the new Disney” with merchandise, movies, live events



And (pretty recent) Balkan successes

Location plays increasingly limited role in enabling creation of great entertainment franchises



- Founded in 2009 in New York/ Croatia
- Top mobile casual game Doodle Jump
- 20M+ downloads
- Founded by Croatian brothers
- Bootstrapped

And (pretty recent) Balkan successes

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Lima Sky



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Outfit7
fun delivered.

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- Top "Talking Friends" mobile series
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- Team in Slovenia
- Hired CEO+team in Silicon Valley
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NORDEUS

- Founded in 2010 in Serbia
- World's most successful football manager series "Top Eleven" on Facebook and on mobile
- Ex-MSFT developers in Denmark moved back to Belgrade
- 6m MAUs/2m DAUs
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- Founded in 2010 in Turkey
- Focus on licensing and customising content for the MENA region
- Co-founder team gaming and Ivy League
- 20m MAUs/8m DAUs
- Venture capital backed

But it is not all roses

Barriers to entry in this industry are still low, competition increasing, traditional players entering the market

New gatekeepers also increasingly powerful impacting economics

Zynga share price



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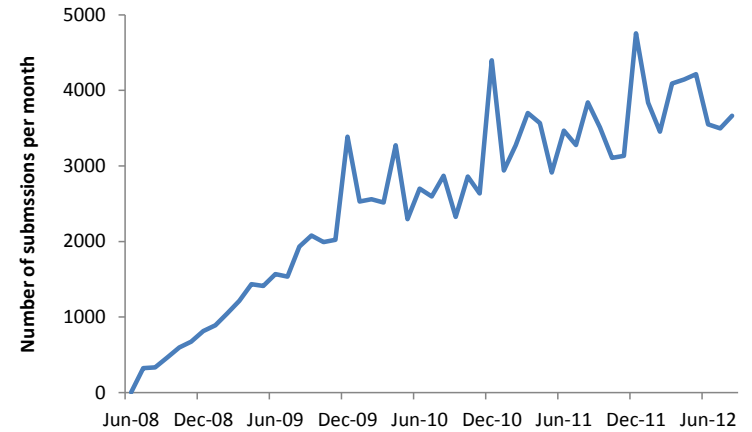
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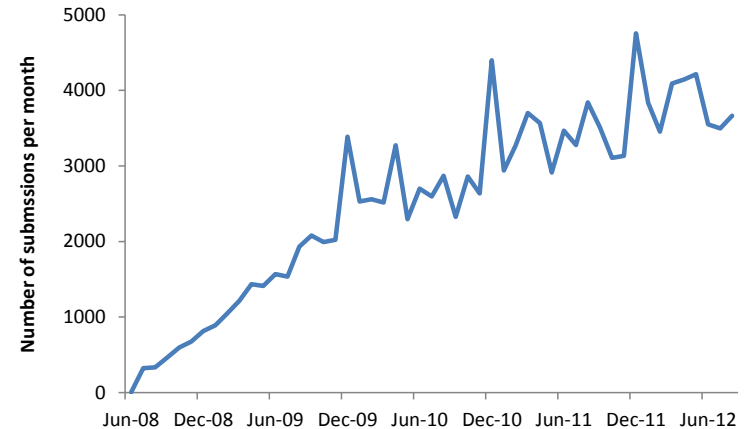
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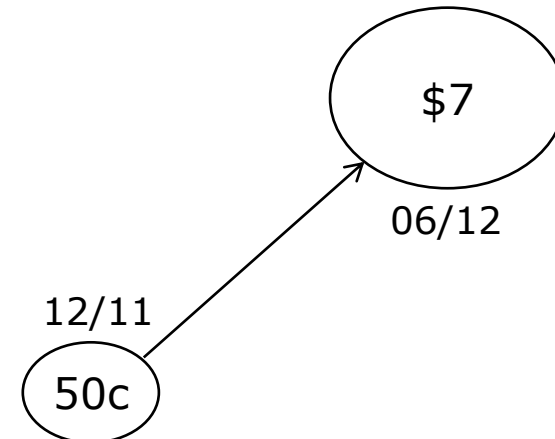
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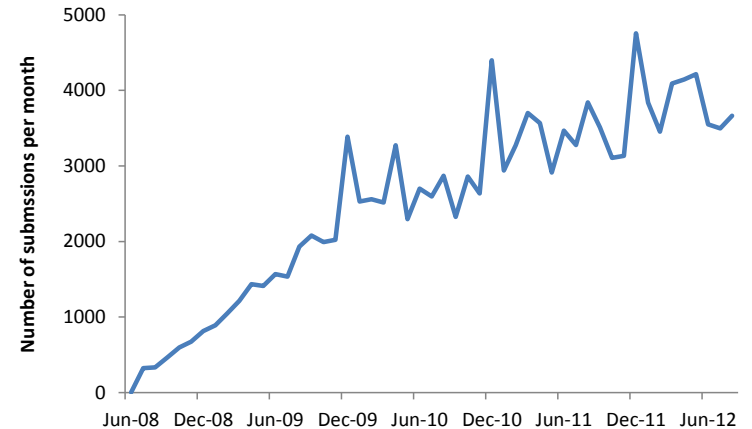
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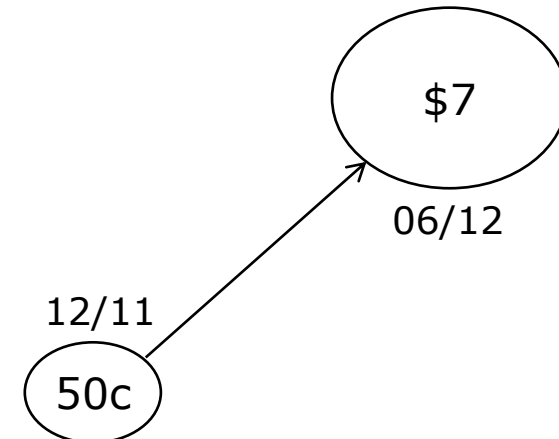
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So how to build a great gaming company?

There is no "silver bullet" in building great companies. It is possible to start with minimal resources though

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- Key starting point – needs to be differentiated
- Sustainable segment/economics

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Funding

- Bootstrapping is fine, great lifestyle businesses
- Venture capital from industry expert

Q&A

