Video Game Market Overview 2024

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Introduction

DFC Intelligence is an industry analyst firm covering the video game industry since the mid-1990's

We provide insightful, realistic and actionable market analyses, forecasts, and user segmentations to a global roster of companies operating within the video game industry as well as investors looking for quality insights into where the opportunities and risk will be found.

DFC Intelligence has earned a reputation within the video game space as a firm that brings objectivity and a healthy dose of realism to the market segments it covers.

We offer full market subscription programs, segment specific services, market reports, targeted forecasts and customized client solutions.

Reach out to us at info@dfcint.com to schedule an introduction to our services.

DFC Intelligence World-Wide Video Game Program

- Global coverage of hardware, software, subscription services, accessories, and emerging trends in cloud gaming, game development and AI, and more
- Forecasts by hardware platforms (PC, console and mobile), software products and services, user and geographic segments by dollars and units
- Company analysis and assessments of products, positioning and strategy
- Deep dive user segmentation and analysis
- Key trends and factors driving or impacting market growth
- Analyst inquiry and one-to-one engagements to address key client questions and initiatives, or hot takes on what DFC thinks about announcements, trends and more
- Customized surveys and client specific reports

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Overview

Intro

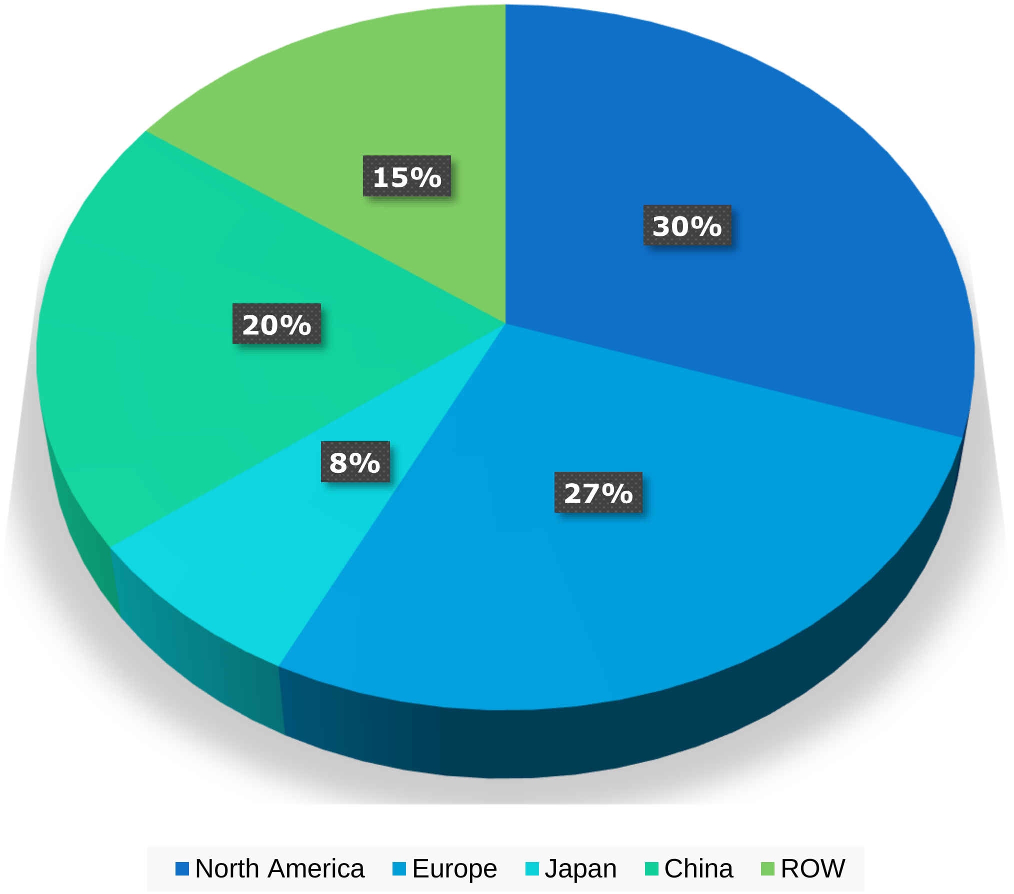
- This report summarizes major topics in the video game industry that DFC Intelligence will cover in greater detail throughout 2024
- There are some high-level forecasts, but the primary focus is on segmentation, strategy and opportunity

Major Issues

- How did the market perform in 2023 and what are the growth forecasts for 2024?
- How will Microsoft's acquisition of Activision Blizzard impact the industry?
- How are subscription services and cloud gaming products impacting AAA games?
- Why is the hardware market expected to boom in 2024?
- What are major investment opportunities in the game space?
- How large are the major segments in the game space and who are the leading players?

2023 Highlights: PC and Console

2023 PC and Console Game Revenue



Revenue Flat
Total software revenue for 2023 forecasted to be $74 billion versus $75 billion for 2022. Video game console unit sales flat with Nintendo Switch decline.

Layoffs and Merger
The news was dominated by game company layoffs and the Microsoft/ATVI acquisition. The media is overly dramatic, but it is in an indication of overall major industry changes as the industry adopts new business models

Big Games From Console Publishers
Nintendo: The Legend of Zelda: Tears of the Kingdom; Sony: Marvel's Spider-Man 2; Microsoft: Starfield

Large Publishers Focus on Games as a Service
Releases are more updates of ongoing products such as EA Sports franchises, Call of Duty, Blizzard titles

Big Opportunity for Small Publishers/Japan IP
Major releases from smaller companies and classic Japan game companies do well as larger publishers focus on live services model

Video Game Industry Drives Hollywood Entertainment
Video game IP brings in the audience, not the other way around. The Super Mario Bros Movie, The Last of Us, Five Nights at Freddy's, Gran Turismo, Twisted Metal

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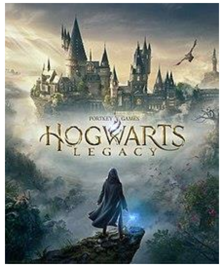
2023 Games: A Diverse Lineup

Some major titles of 2023 highlighted key industry trends

Baldur’s Gate 3 game of the year was published by Belgian based Larian Studios

Diablo IV from Blizzard did well at the start but it is uncertain if it will become a long-term live service product

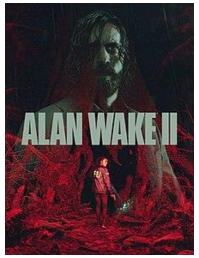
Cyberpunk 2077: Phantom Liberty expansion brought back a title that initially disappointed



Hogwarts Legacy showed that big media IP can still translate to hit games

Lies of P from Korea based Neowiz is an example of how companies from Asia can expand West

Alan Wake 2 from Epic is an example of co-promotion with Epic Games Store and Fortnite



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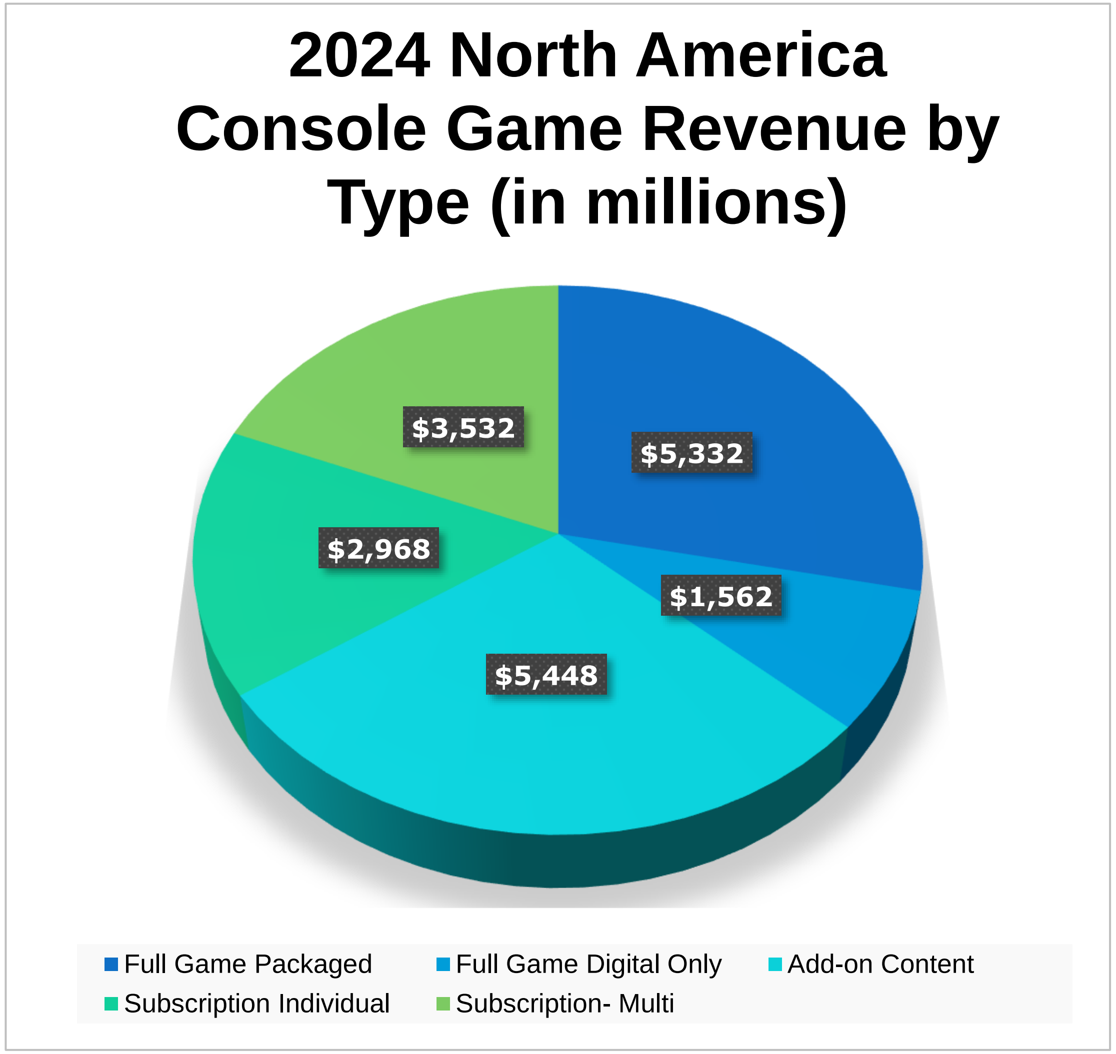
2024 Outlook



Continued Year of Reorganization
The movement away from a big box retail console business is difficult as companies continue to experiment with new models

Limited Game Lineup Makes Forecasting Hard
Larger players focus on ongoing live service products and major new product releases look sparse

Sony Trying to Play Catchup in Live Services
Sony has been behind the curve and is trying to adopt online business models it had ignored. Naughty Dog cancelling Last of Us Online is an example of the struggle

Microsoft Swallowing a Big Pill
The Activision Blizzard acquisition may consume Microsoft whose sales have been disappointing. Not much innovation is expected as the focus is on integrating the new business.

Nintendo Looking to New Hardware
DFC expects Nintendo to announce a new hardware system as Switch sales continue to decline.

A Year of Hardware Spending
Overall revenue in software is expected to be flat but hardware spending is expected to grow 21% setting up strong software sales in 2025+

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2024 Games: Looking Limited

Big games from Japanese publishers and classic 1990s franchises

Alone in the Dark is an update on a 1990s horror game. Can the struggling Embracer Group get a hit? Already delayed

Final Fantasy VII Rebirth is the second in an action-based reimaging of the classic 1997 game

Like a Dragon: Infinite Wealth is part of Sega’s long running Yakuza series. A sandbox style gangster game ala GTA

Prince of Persia: The Lost Crown is a new release in a classic Ubisoft series. Should be first major title of 2024

Star Wars Outlaws is an open-world game. Publisher Ubisoft has struggled with getting titles out the door

Tekken 8 is a new title from the classic Bandai Namco fighting franchise. Tekken 7 did very well.

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Mobile Games

- **This report focuses primarily on core console and PC games**
  - Mobile games is a different business than core video games
  - Look at top titles and companies to understand business
  - Segmentation is very different (see next slide)
- **Market is dominated by a handful of companies and games**
  - Top games can last for years
  - Not many new games enter the list considering market size
- **Distribution and monetization are most important role**
  - Design focuses on monetization via item purchase and/or advertising
  - Focus is on short play sessions and impulse purchase
- **Crossover synergy with console and PC franchises has been limited**
  - Games as a platform is starting to see crossover
  - Best examples are Fortnite, Minecraft, Roblox

Top Mobile Game Companies (by mobile game revenue)		
Company	**Location**	**Key Titles**
Tencent	China	PUBG, Honor of Kings, League of Legends, Supercell
Netease	China	Knives Out, Marvel Super War, Harry Potter: Magic Awakened
Sea Limited/ Garena	Singapore	Free Fire, SE Asia distribution
Activision Blizzard (Microsoft)	USA	Candy Crush Saga, Call of Duty Mobile
Cygames	Japan	Shadowverse, Idolmaster
Zynga (Take-Two Interactive)	USA	Zynga Poker, Words with Friends, Empires and Puzzles
MiHoYo	China	Genshin Impact
Niantic	USA	Pokemon Go
EA	USA	FC Mobile, Lord of Rings, Bejeweled, Sims Mobile
GungHo Online	Japan	Puzzles & Dragons, Ragnarok Mobile

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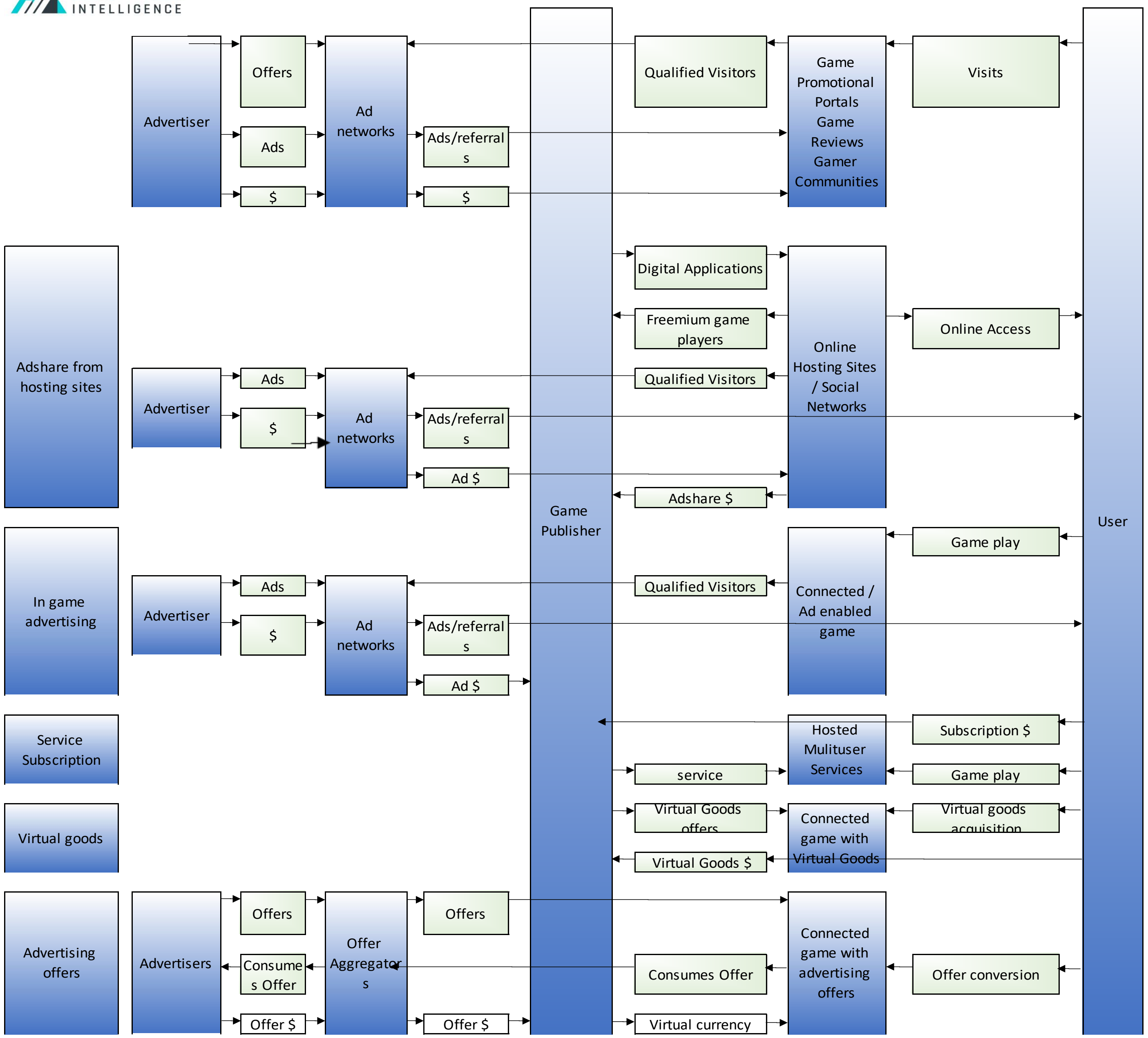
Mobile Games

Mobile Games of Note			
Game	Publisher	Release	Notes
Call of Duty Mobile	Activision	2019	free version of top FPS title
Candy Crush Saga	Activision	2012	biggest puzzle USA game
Clash of Clans	Supercell	2012	mobile strategy tower defense
Coin Master	Moon Active	2018	simple hyper-casual casino style
Fantasy Westward Journey	NetEase	2015	Mobile version of leading China MMORPG
Fate/Grand Order	Sony	2015	RPG with gacha mechanic
Fortnite	Epic	2019	Battle Royale/Game as a Platform
Genshin Impact	MiHoYo	2020	China open-world RPG
Honor of Kings	Tencent	2015	China MOBA
Minecraft	Microsoft	2011	UGC/Game as a platform
Monster Strike	Mixi	2013	Jjapan RPG/puzz;e
Pokemon Go	Niantic	2016	location based AR game
PUBG Mobile	Multiple	2018	Battle Royale
Puzzles & Dragons	GungHo	2012	match three that adds RPG elements
Roblox	Roblox	2011	UGC/Game as a platform
Zynga Poker	Zynga	2011	Classic card game

Mobile Games Segmentation

Mobile game business has a complicated distribution and many business models that do not translate to traditional game business

Mobile Game Revenue Flow



Top Game Publishers

- **There is a difference between developers, publishers and distributors**
- **Publishers have the closest relationship with consumer AFTER purchase**
- **Top publishers can act as distributors but it is a different roll (ex Tencent earns significantly more as a distributor versus publishing)**
- **With Activision Blizzard acquisition, Microsoft becomes top publisher NOT including distribution revenue from Xbox or Game Pass**

These are estimates for publishing game revenue that are designed to eliminate distribution revenue

Company	Revenue (in billions)
Microsoft Activision Blizzard	$9.6
Tencent	$7.5
Electronic Arts	$7.4
Nintendo	$6.4
Epic	$5.2
Take-Two Interactive	$4.8
Sony	$3.0
Sea Limited	$2.8
Nexon	$2.7
Square Enix	$2.5
MiHoYo	$2.4
Embracer Group	$2.3
Roblox	$2.2
CyberAgent	$2.1
Ubisoft	$2.0
Komani	$2.0
NetMarble	$2.0
Ncsoft	$1.9
Bandai Namco	$1.8
Warner Bros Discovery	$1.8

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Top Game Distributors

- **Distribution is the most powerful segment of the game space**
- **Distributors control getting product into consumer hands**
- **Without strong distribution channels publishers will not be able to get product into consumer hands**
- **Console hardware manufacturers have significant distribution control**
- **Google and Apple are major mobile distributors**
- **Valve's Steam service leads in PC games**
- **Battles for control of distribution among major players will be the MOST important trend to watch in the game space**

Major Video Game Distributors
Amazon
Apple
Baidu
Epic
Facebook
GameStop
Google
Microsoft
Netease
Nintendo
Sony
Tencent
Valve
Walmart

This is a sample list of the top game distributors. Note revenue from game distribution will exceed publishing revenue and market analysis requires careful separation of roles to avoid double counting

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DFC Intelligence Has Created Four Broad Content Categories for Forecasting

Full Game Content

- Games that are delivered as a client to end user
- Can be bought in a physical package or digital delivery
- About 32% of core console and PC game revenue

Add-On Content

- Add-on content for games is leading revenue for mobile games and free-to-play games
- This is now a major revenue for core PC and console segments
- Should pass full game content revenue in 2024 and account for 33% of revenue

Individual Game Platforms

- Games like Fortnite, Roblox, Minecraft focus on UGC
- Electronic Arts sports franchises, Take-Two's Grand Theft Auto operate as their services
- Subscription to individual games is expected to account for 20% of core console and PC game revenue in 2024

Bundled Subscriptions

- Major subscription services include 1) enhance a subscription service; 2) standalone cloud service; 3) rent a PC/device service
- Microsoft GamePass, Sony PlayStation+ use cloud as an extra feature to enhance service
- Amazon Luna and Google Stadia are standalone cloud
- Nvidia GeForce NOW, Shadow, Loudplay, and Boosteroid are rent a device services
- These services are expected to account for 15% of core console and PC game revenue in 2024

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DFC Segmentations for Forecasting

Business Models

- Focus on revenue generation
- Revenue per user is major focus

User Type

- Focus on type of user
- Platform (mobile, console, PC) and region is key consideration

Game Genre

- Focus is on the type of game
- See DFC core genres and subgenres

Business Models

- DFC has several business model segments
- Custom reports can focus on specific areas including subscription revenue, digital add-on, full-game, retail packaged, F2P, cosmetic content, DLVC, cloud games, metaverse and more

User Type

- Consumer Segmentation focuses on segmenting consumers by platform across 26 major countries/region
- ARPU by consumer type and region, system spend and attach rate, peripherals and accessories ARPU

Game Genre

- Key genres include action, simulation, RPG, adventure, strategy, sports, racing, fighting and other (exercise/casual etc)
- Core genres are divided into 48 sub-genres
- Platform games are a core segment that blends genres

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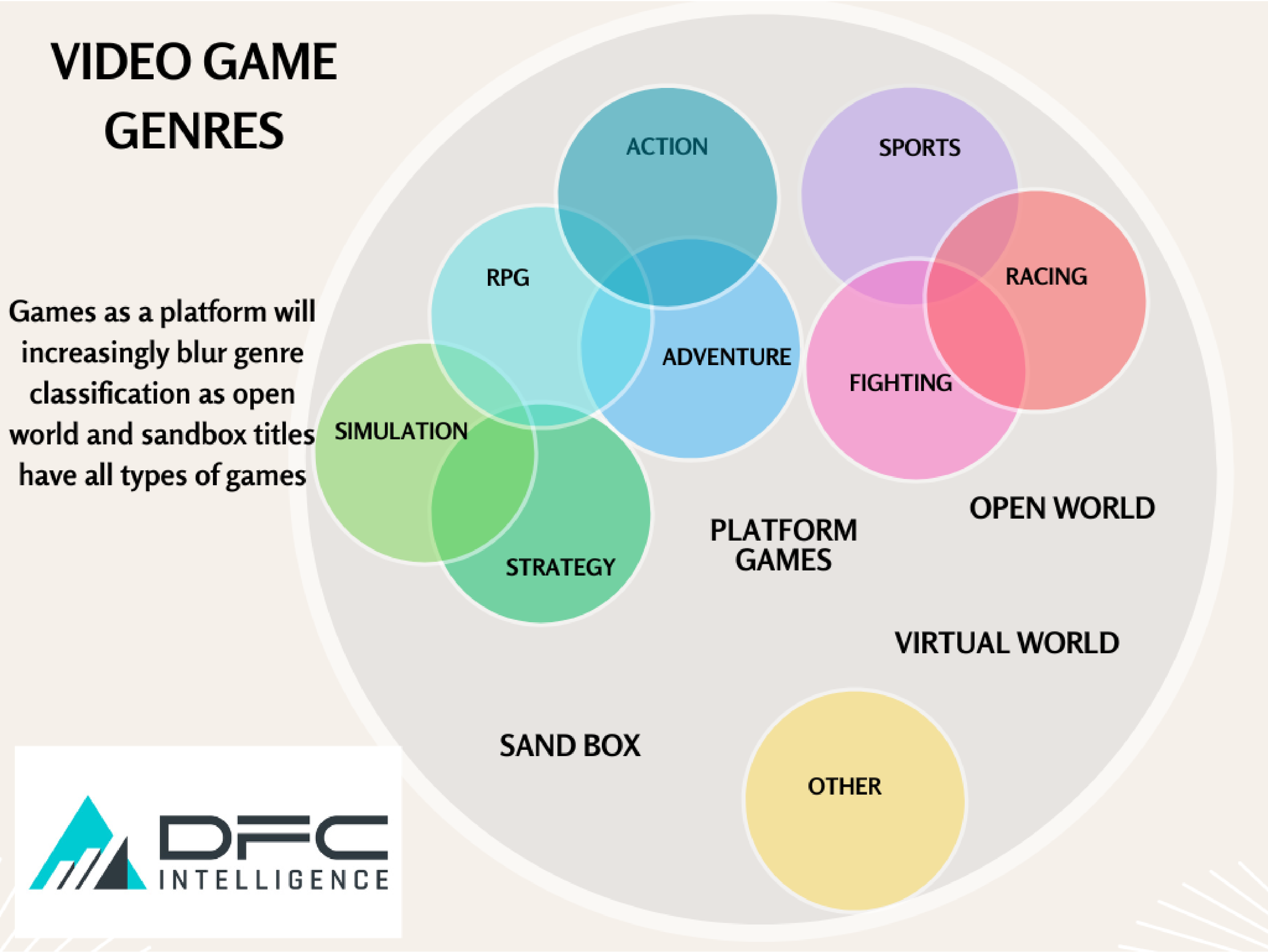
Video Game Genres

Segmenting games by genre is getting increasingly difficult as genre types blur. Sub-genre analysis is critical



Video Game Sub-Genres

Sub-genre is critical for a true understanding of product potential

Sports	Racing	Fighting	Simulation	Strategy
Arcade Sports	Kart Racing	Platform Fighter	Vehicle Sim	Turn-Based
Management	Arcade Racing	One-on-One Fighter	Construction/Mange	Real-Time
Simulation	Simulation Racing	3D Fighter	Life Sim	Board Game
		Team Fighter		Card Game
				Grand Strategy
				MOBA
				Puzzle
				Deck Building
Adventure	**RPG**	**Action**	**Other**	**Platform Games**
Action Adventure	Action RPG	Platformer	Board game	Any Genre
Narrative Adventure	Turn Based RPG	Stealth	Trivia	Sand Box
Visual Novel	MMORPG	Survival Horror	Party	Open World
Point and Click		Beat em up	Exercise	Virtual World
		Hack and Slash	Education	
		Metroidvania	Brian/Logic	
		First-Person Shooter	Music/Rhythm	
		Third-Peson Shooter		
		Battle Royale		

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DFC Cloud Gaming Segmentation

End-User
- Hardware with screen
- Online connection
- Access to content

End-User Hardware
- Game Console
- PC
- TV with streaming
- Mobile Device

End-User Service Content
- Online Connection via Telco/ISP
- Content Service via hardware manufacturer, ISP/teleco or individual game provider

Movement to subscription and live services is a major trend but cloud games and subscription services are not well understood as of yet.

Content and Service Providers
There are multiple types of providers

- Online connection provider/telecos
- Hardware manufacturers
- Multi-game subscription service providers
- Social networks
- Independent game and content creators

Core Cloud Computing Providers
The handful of large providers that all other players must work with

- Amazon AWS
- Google Cloud
- Microsoft Azure
- Tencent Cloud, Alibaba (China)

Secondary Cloud Technology
Additional players provide custom technology for major players in space

- Analytics
- White label services
- GPU virtualization/edge delivery
- Billing/customer support
- Core hardware for service provider

Core Assumptions for Cloud Games

DFC Thesis

- Cloud gaming is not a distinct market and will touch all segments of the gaming industry.
- Cloud gaming is already a big business

Key Basic Assumptions

- Cloud gaming is not an independent segment but is instead technology that will enhance all areas of the game space.
- In many cases it will supplement high-end hardware and provide additional processing to games installed on the end user side (client).
- Subscription services to cloud games are only one segment of a much larger industry.
- A Netflix of video games is not a good analogy
- Cloud games are closely related to other hot topics in the game space including the growth of the metaverse, AI and individual game platforms that focus on user generated content (UGC) Roblox.
- To understand the true impact, it is important to look at individual segments within the larger game space and address how cloud delivery will impact that segment based on its unique characteristics.

Hardware Providers of the Future

Console Hardware

- Nintendo Switch: AIB 12/23 = 60 million on decline
- Sony PlayStation 5: AIB 12/23 = 45 million increasing
- Microsoft Xbox X/S: AIB 12/23 = 25 million increasing

Connected Mobile

- Apple and Google provide distribution and services
- Manufacturers and telecos may provide custom services usually via white label (ex Samsung)
- Estimated 2.8 billion connected mobile consumers use games but most do not pay

PC Hardware

- Hardware manufacturers have limited market influence
- Component providers Nvidia, AMD, Intel are active in promoting developer services
- DFC estimates PC game hardware at $50 billion 2023
- DFC Segmentation: 2 billion PC users, 300 million high-end, 35 million core enthusiasts

Smart TV

- Smart TV providers have custom OS and can work with white label providers (Samsung Gaming Hub with Blacknut is an example)
- DFC Intelligence forecasts TV manufacturers will play only a minor role

Mobile Hardware

- Growth in hardware for playing PC games
- Steam Deck, ASUS ROG Ally, PlayStation Portable, Logitech G Cloud and others
- Currently a minor market with no leader

Headsets and Accessories

- A diversity of devices that enhance game play
- Accessories market is expected to reach $12 billion in 2024

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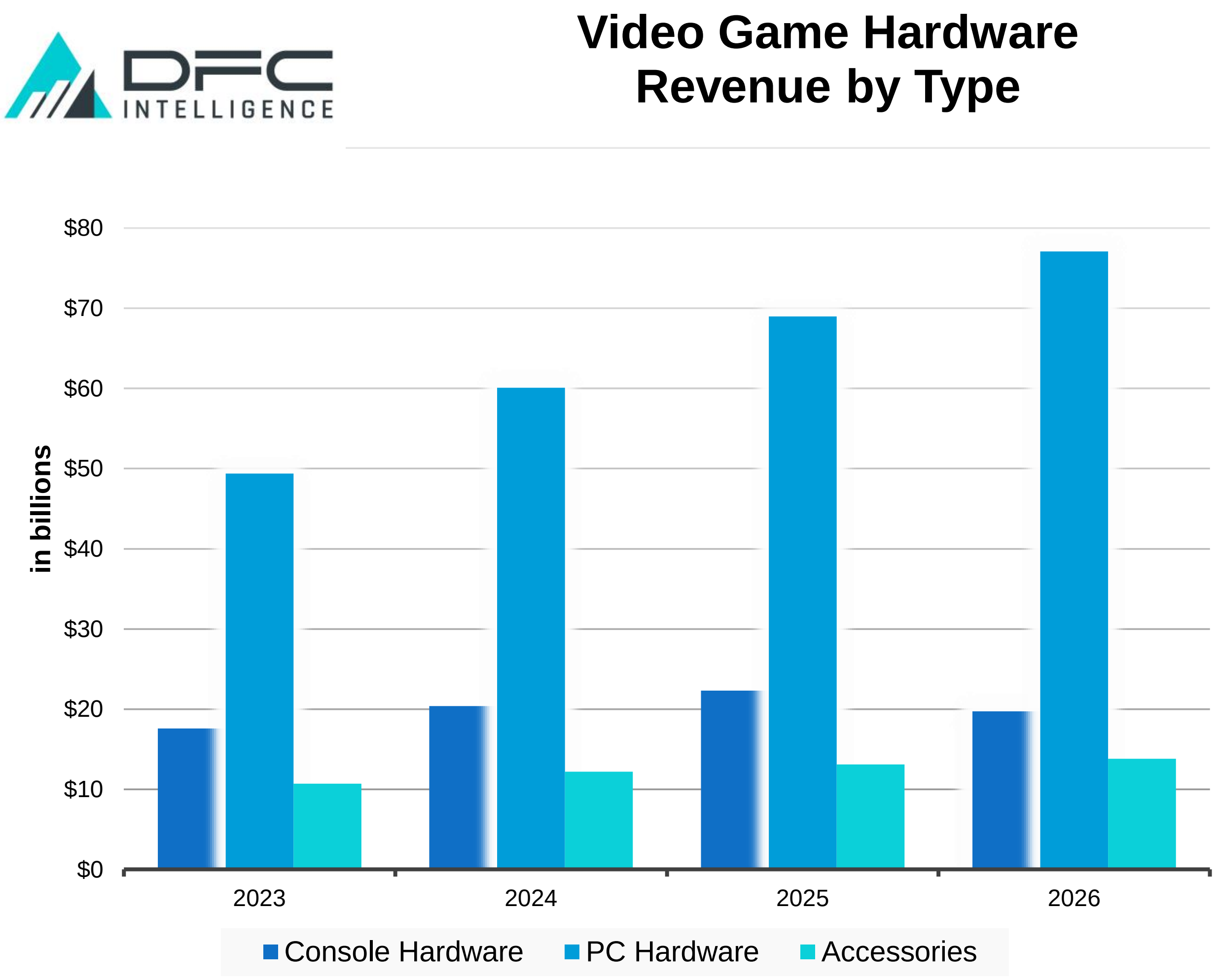
Video Game Hardware



2024 a Year for Hardware
Hardware spending is expected to soar after shortages and a post-Covid decline

Assume Nintendo Launches a New System
Built in new system from Nintendo going forward. PS5 expected to be leading seller near-term

Alternate Platforms
Alternate platforms that are mobile and cloud focused could impact dominant position of Sony PlayStation hardware brand in a few years

DFC Survey Results
DFC's recent hardware survey showed major purchase intent for all hardware categories.

Core PC Gamers Expected to Upgrade
DFC survey found 84% of 2020 high-spend PC builders plan to upgrade in 2024/2025

Consumers Look at Brands for Hardware
Top rated brands include Sony, Nvidia, Corsair, Steel Series, Turtle Beach and Nintendo

Key Issues and Trends

Live Service vs Single Player
Large companies focus on live service products that open the opportunity for smaller publishers to focus on traditional single player

Investment Opportunity #1: IP
Game IP has a long life across multiple media. Classic Japan game companies have some of top IP

Distribution Battle
Can Microsoft take a leadership position via ATVI acquisition? Uncertain and it is expected to take years to play out among several players

Investment Opportunity #2: Tools and Tech
Developers struggle to profitably deliver ongoing games. AI, engines and other tools will drive productivity

Subscriptions and Live Services
Living games and live services are separate from subscriptions. The classic Netflix subscription model is unproven. Individual games can operate as their own platform/subscription product

Investment Opportunity #3: Platforms
User generated and AI content allow games like Roblox, Fortnite and Minecraft to operate as their own platforms

Conclusion

Growing Pains as Industry Evolves

- After major growth during Covid, the video game business remains strong but did not see major growth in 2023
- 2024 is expected to be flat as large game companies focus on a live services model

Key Points

- The movement to subscription and live services is a major trend but a big growth area is the emergence of single player games as living games that generate ongoing revenue
- Individual games are starting to become significant distribution platforms
- Over the next few years there is likely to be a power shift among the major industry players. If Microsoft can successfully integrate Activision Blizzard it will likely severely undermine Sony's future position with PlayStation.
- Control of distribution will be the most important trend to watch. Battles among the major players over distribution could increase margin for content creators as distribution royalties decrease with competition.
- Hardware is expected to be a major growth area in 2024 and this may include a new system from Nintendo
- The growth in installed base of hardware will be a major industry driver in 2025 and on.

About DFC Intelligence

DFC Intelligence provides a full spectrum of coverage of gaming for discerning clients. Our analysis and forecasts are sought out by companies who want an honest and realistic perspective on markets vs hype, inflated numbers and marketing speak. We support companies to identify the real market opportunities to maximize capital expenditures and pursue sound and profitable strategies.

Contact us at info@dfcint.com

Games

Mobile, console and PC games and subscription services broken out by market, user, genre and engine

Platforms

Shipment data and forecasts of gaming PCs, laptops, PC hardware and mobile devices. Components too

Accessories

Breakouts by headsets, keyboards, mice, controllers and other hot accessories

Annual Services

Coverage of Major Topics

- Video game software latest trends
- Game hardware including PCs, consoles, mobile devices, VR, accessories
- Subscription services, cloud games, metaverse and new trends
- Customized surveys and white papers

Complete Forecasts

- Multiple Excel file-based forecasts
- Updated throughout the year
- Forecasts for key market segments including console, PC, mobile, subscription services, digital delivery
- Forecasts for individual regions and countries

All-Access Program

- Annual access to all DFC Intelligence Research
- Excel Forecasts update throughout the year
- Market Reports updated annually
- Industry Briefs and Market Trend Analysis
- Consumer Surveys conducted throughout the year
- Access to historical reports and research
- Analyst inquiry and one-to-one engagements
- Ability to provide input for customized surveys and white papers
- Program can be customized based on company size, number of users, market or segment interest

Regular Updates

- New console launches and latest forecasts
- Analysis of upcoming games
- Quarterly market performance updates and analysis of key market players
- Topical market briefs
- Merger and acquisition analysis

Full Surveys

- Multiple annual consumer surveys
- Summary survey reports plus raw data in (XLS/SPSS)
- Ability to provide input on questions and survey topics
- Customized survey options available

All DFC Intelligence Services come with analyst inquiry hours to discuss findings, address client specific inquiries, messaging or feedback sessions.

Off-the-Shelf Products

Syndicated Reports

- PC Hardware
- PC Game Software and Services
- Gamer User Segmentation
- Upcoming Game Tracker
- Global Gaming Accessories
- Console Gaming
- Streaming and Cloud Services

Market Forecasts

- PC Hardware
- PC Games
- Console Games and Platforms
- Accessories
- Streaming and Cloud Services
- (Global, Regional and by Country)

Market Surveys

- Console Gaming
- PC Hardware
- Accessories
- Security

Custom

DFC Intelligence carries out short to medium-term engagements for clients for matters related to strategic planning, market modeling, investment decisions, M&A, new product introduction or market/product messaging.

Our approach to projects starts with DFC Intelligence's long-time history in video gaming. DFC's team possess over 100 years of combined experience in the space which enables us to provide an informed perspective on the issues and challenges facing companies and investors.

Strategy

Advisory

Forecasting

Segmentation

Messaging

1-1 Feedback

Deep Dive

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