



Indian Gaming - At an inflexion point

Investment Trends & Sector update

March' 21

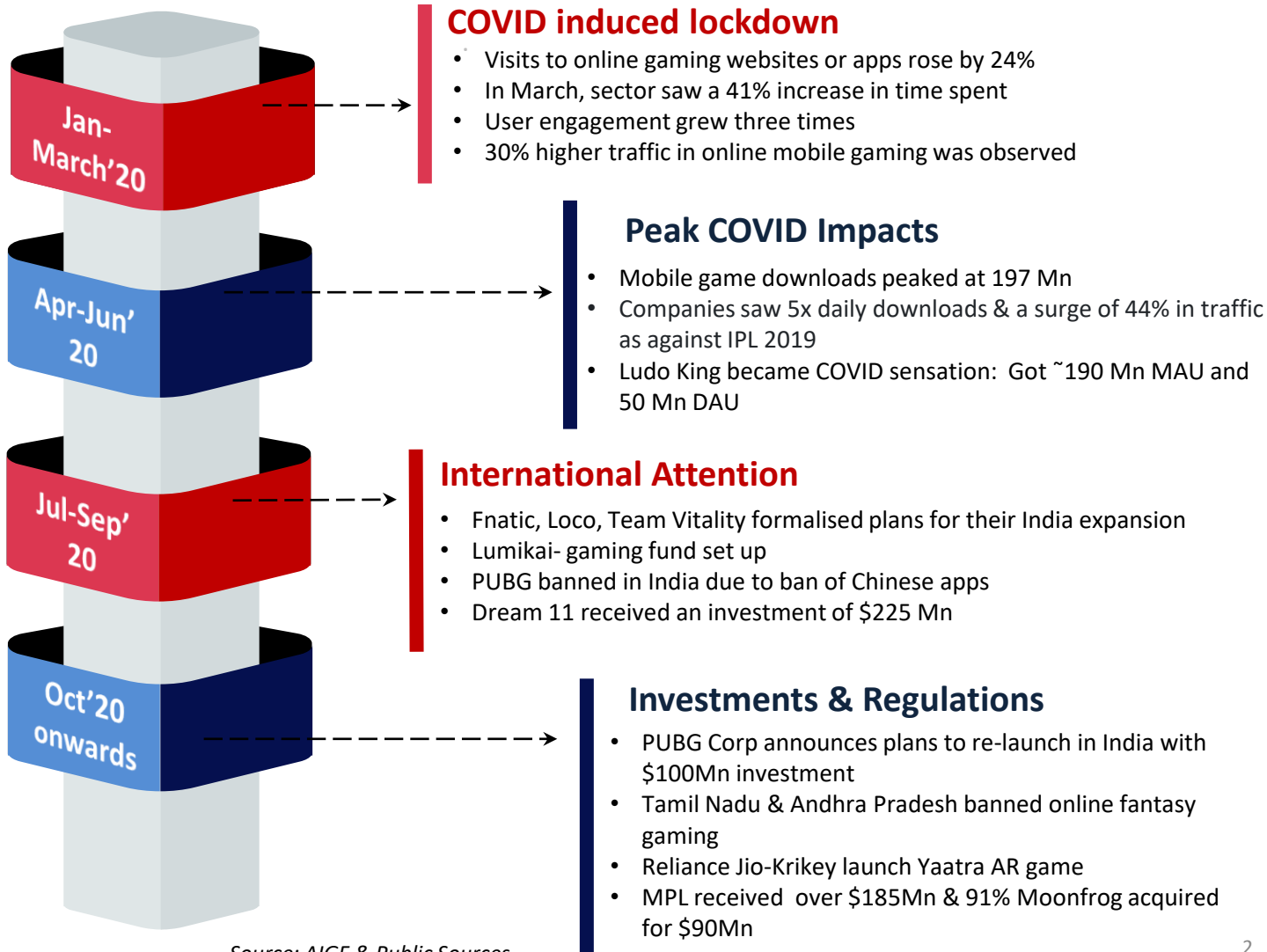


Pankaj Karna
Founder and MD,
Maple Capital Advisors

We initiated sector coverage in mid-2020 amidst the pandemic as we saw green shoots in the sector. Our belief stands reaffirmed as the investments have crossed USD 500 Mn in the last 6 months and exceeding what was invested in the last 5 years and our projections. We believe gaming is now at an inflexion point with greater investment and consumer traction.

With growth-oriented PE's now participating and the first meaningful IPO around the corner, gaming is poised to attract greater capital across stages, and we expect increased cross border M&A. We expect investments to double in the sector in the next 12-18 months. Consumer traction(15% of global traffic) on the back of greater awareness and engagement is likely to accelerate. Also, clearer category leaders are likely to emerge. We expect improved regulatory coverage or judicial clarity, especially in the Real Money Gaming space.

Key Highlights: A look back



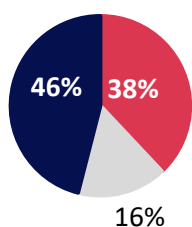
Source: AIGF & Public Sources

Investment Trends

Key Deals since Aug'20

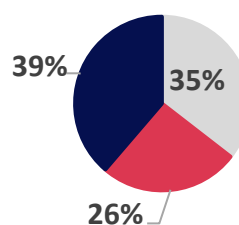
Date	Company	Investors	Total Investment (\$Mn)
Sep'2020	Dream 11	Tiger I, TPG, ChrysCapital , FootPath	225
Feb'2021	MPL	Composite Capital, Moore Capital, Telstra, Base Partners & others	95
Nov'2020	MPL	Sequoia, GV Games, MDI Ventures, CE Ventures, Beenext, PenBrook Capital, Bae Growth, Pegasus, Base Partners	90
Feb'2021	Moonfrog Labs	Stillfront	90
Jan'2021	Nazara Technologies	Plutus Wealth,Kae Capital, Kalysta	68
Oct'2020	Winzo	Makers Fund, Courtside, Kalaari Bellerive Capital, Indigoedge &HNI's	18
Feb'2021	Nazara Technologies	Hornbill Orchid Fund	13.71
Jan'2021	Zupee	WestCap , Matrix , Falcon Edge , Orios &HNI's	10
Aug'2020	Gamezop	BITKRAFT Ventures, Velo Partners, FJ Labs	4.3
Nov'2020	Mech Mocha	Flipkart	NA
Dec'2020	Bombay Play	Playco, Leo Capital, Lumikai Fund	1

Break up of Deals (Amount)



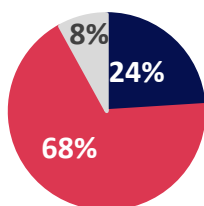
Real Money Casual Platform

Break up of Deals (Number)



Real Money Casual Platform

Break up Of Deal Types (Number)



PE/VC Early Stage M&A

- Sector attracted \$544 Mn + worth of investments in the last 6 months .
- RMG (Fantasy) had the largest investments followed by Platforms
- Meaningful growth capital funds like Chrys Capital, TPG participated and numerous others have started to look at the sector
- Skew on large investments to a few
- The sector saw its first key cross-border M&A in Moonfrog from Stillfront(Sweden)
- Early-stage investments have spanned actively on esports and casual gaming and are seeing good growth (no of deals last 6 months- 10 vs FY 2019)

Emerging Trends

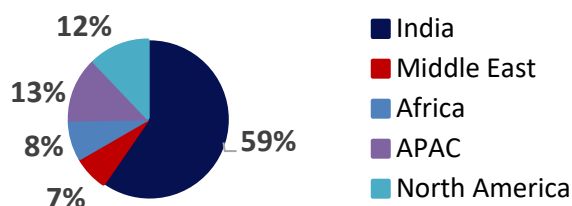
Upcoming IPO of Nazara

Nazara Technologies became the first Online gaming company to file a red herring prospectus for its upcoming IPO. Nazara has been a leader in diversified gaming and sports media across the interactive gaming, eSports, and gamified early learning ecosystems and a platform with revenues exceeding \$ 27 Mn (H1'21)

An average of 40 Mn MAUs for FY 2020 and an average of 57.5 Mn MAUs across all games in the nine months to December 2020. The robust average retention rates of subscribers allow their apps to achieve higher LTV and show the deep product-market fit with their subscriber base. The IPO has been launched at INR 1,100-1,001/share at an estimated valuation of ~\$503Mn for the platform..

Their well-known gaming properties are World Cricket Championship (WCC) and CarromClash in mobile games, Kiddopia in gamified early learning, Nodwin and Sportskeeda in eSports and eSports media, and Halaplay and Qunami in skill-based, fantasy, and trivia games

Geographic Revenue Split



Business Segment wise Revenue



Nazara has raised \$82 Mn from Marquee Investors like Sequoia, KAE Capital, London Venture Partners, Rakesh Jhunjunwalla, Hornbill and many more. They have had a successful M&A and platformation strategy.

Key Acquisitions by Nazara



A successful IPO of Nazara will augur well for the sector, reinforcing digital gaming theme and drive increasing investments.

Esports & Horse Racing

- ✓ Esports audience in India was seen to be 17 Mn in 2020 and growing rapidly
- ✓ Stakeholders are largely positive on this industry's potential and looking to capitalize
- ✓ Horse racing qualifies as game of skill and there is immense scope of the sport online, given it's established offline customer base.

Console Gaming

- ✓ Only 10% of Indian gamers play on consoles
- ✓ Several PC brands have reported up to three times increase in sales of gaming laptops in the last 2-3 months
- ✓ PS4 sales have doubled in Q1 FY20 as compared to Q4 FY19
- ✓ Cornerstone of casual gaming, we expect increased Indian titles and genres emerging





Backend Tech Hubs

- ✓ Rockstar acquired Bangalore-based Dhruva Interactive.
- ✓ Giants like Entain, Scientific Games & Ubisoft have set up backend tech hubs already in India
- ✓ The sector holds promise next to IT in making India a hub for global game development.

Regulatory Landscape

Over 745 Mn users play online real money games in India, depending on access to internet and ownership of mobile phones or other devices


Regulations in RMG-Game of skill

Status	States
	Andaman & Nicobar Islands, Bihar, Chandigarh, Chhattisgarh, Dadra and Nagar Haveli, Delhi, Goa, Daman and Diu, Gujarat*, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Lakshadweep, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Puducherry, Punjab, Rajasthan, Tamil Nadu**, Tripura, Uttar Pradesh, Uttarakhand, West Bengal.
	Arunachal Pradesh***
	Nagaland and Sikkim
	Assam, Odisha, Telangana, and Andhra Pradesh

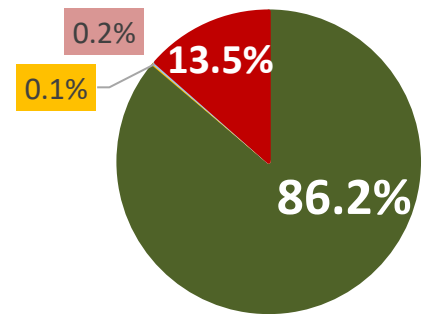
 Freely Allowed

 Unclear

 Licensed

 Prohibited

86% of population* is free to play real money skill games in India



Minors excluded

*Based on census population residing in the freely allowed states. Minors are excluded.

* Poker is considered as a chance game in Gujarat and is hence prohibited.

** Poker and rummy are considered as a chance games in Tamil Nadu and are hence prohibited.

*** Bare text of the state gambling act is not available in the public domain

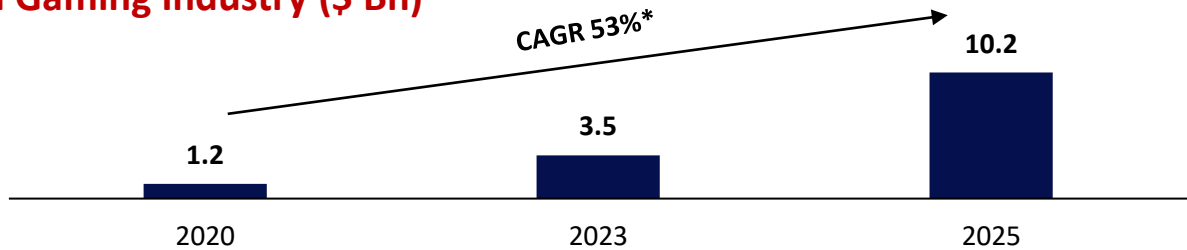
Self-regulation is shaping India's RMG sector

India's gaming sector is marred with inconsistent state laws. Last year, Andhra Pradesh added itself to the list of prohibited states and banned all real-money games. In an unprecedented move, Tamil Nadu declared rummy and poker as 'gambling' under its state law. Meghalaya is also considering licensing all gaming activities, while Karnataka may soon revise its law to regulate online gaming. Keeping up with such diverse laws is a challenge for gaming companies, making it difficult for the sector to abide by uniform standards.

The self-regulatory efforts of skill-gaming companies are hence noteworthy. Industry bodies like AIGF, FIFS, and TORF ensure that their members follow good governance, ethical practices, and consumer-centric initiatives. These bodies have guidelines on advertisements, platform access, fair play, financial integrity, etc. that all member companies abide by. NITI Aayog, through its draft framework to regulate fantasy sports, also sees merit in self-regulating the gaming sector. While the Aayog's draft could have covered all RMGs in its scope, keeping it limited to fantasy sports is still a welcome step. And can initiate the process for a central framework for all RMGs in India.

Way Forward

Indian Gaming Industry (\$ Bn)



1 With over 15% of global gaming traffic, India is strongly positioned as a gaming destination and increasingly of interest to global majors.

2 Consumer awareness and engagement are rising over the last 6 months (47% internet users spend time using gaming apps/ 50% smartphone users play mobile games, spending one hour on it daily)

3 The sector is likely to see multiple unicorns as investment accelerates in the space.

4 Esports gaming ecosystems are likely to see greater traction, while some games may see dip in traction as COVID ends and people head back to work

5 There's a pop-culture phenomenon waiting to explode around gaming in India. We're still waiting for songs, music videos, TV shows, and Bollywood movies to represent gaming culture prominently

6 RM games have seen some headwind, due to regulations, we expect more self-regulation associations & better clarity from regulators & the judiciary. Recent initiatives by Niti Aayog are a step in that direction.

7 We expect key RMG players to diversify beyond India in the next 12-18 months and increase in conversion to platforms with casual games.

8 Tech intensive casual gaming while in its infancy is likely to see greater investment traction.

9 We expect investments to double via private equity, M&A, and IPO's in the next 12-18 months

10 We also expect International majors to set up gaming development/support centers in India and actively pursue M&A to get a piece of the gaming consumer markets in India

Expert Insights

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Salone Sehgal

MD, Lumikai



Having tracked the Indian gaming market for the last decade, I have never seen gaming usage, consumption, monetisation and infrastructure converge in the manner it has in 2020. With nearly \$700M being invested in the domestic gaming industry over the last 3 years, I am seeing a rising tide of talent entering the games industry and next generation founders building India First Gaming 2.0 start-ups who are bold, ambitious and ready to compete with global best. The market is at a once-in-a-generation inflection point. With 67% of India's millennial audience being active gamers, we have a generation of digital convergence native users who have been exposed to gaming, social media, audio, chat, video content all at the same time, creating a massive white space for new mediums of interactive entertainment. Thus, we foresee the rise of innovative gaming experiences which will be intrinsically social, multi-player with deeper metas which are multi-contextual and resonant with Indian cultural touchstones to appeal to a variety of audiences from Tier 1, Tier 2 and 3 markets. At Lumikai, we are long term patient capital for this sector and are excited about what the future holds

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Navkiran Singh

Founder, Baazi Games

We've always welcomed customer-centric regulatory changes that help the industry and the company grow whilst ensuring a safe, secure and transparent environment for work and play. The Real Money Gaming boom is tech-led and we look forward to staying at the forefront of this revolution, adding fuel to the fire with meaningful, long-lasting partnerships that enhance the gaming landscape



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10
Of
Years

Engaging to Create Value

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Accelerator – Investing in promising early stage scalable tech driven ideas

Private Equity - Working closely with PE funds and Advising on induction of equity or like instruments

LEverage Capital - Advising on structured debt spectrum covering, acquisition financing, convertibles, special situations

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