



THE DRIVE YOU DEMAND

2020 KEY CONVICTIONS

Gaming – Game on!

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Marketing Communication



UNION BANCAIRE PRIVÉE

GAMING – GAME ON!

2020 Key Convictions – Equity Thematic

Now more than ever, video gaming is at the heart of the entertainment industry. The way players engage with and through games is changing faster than ever, technological innovation is consistently evolving, resulting in **increasing engagement, new segments of game enthusiasts and ultimately, higher monetization.** AAA-quality new games, mobile gaming, e-sport and new technologies (cloud gaming, augmented / virtual reality) will be shaping the gaming market over the next years and driving video game developers revenue growth.

Key messages

- ◆ *The video gaming industry has evolved to become the world's most lucrative entertainment market: players' engagement and game monetization are reaching new highs.*
- ◆ *Through digital transformation, the +\$150bn gaming industry continues to be disrupted to adapt to a fastly changing consumer behavior and booming technological innovation.*
- ◆ *Major video game developers should see a sharp rebound in sales driven by promising new game releases and a confluence of secular growth drivers that will be shaping the industry over the next years.*

The global gaming market is expanding at a very high pace. It is expected to reach USD 152bn in revenues in 2019 (+9.6% from 2018) and could reach USD 196.0bn by 2022 (+9.0% CAGR). We count more than 2.5bn video gamers around the world, creating the world's most lucrative entertainment market.

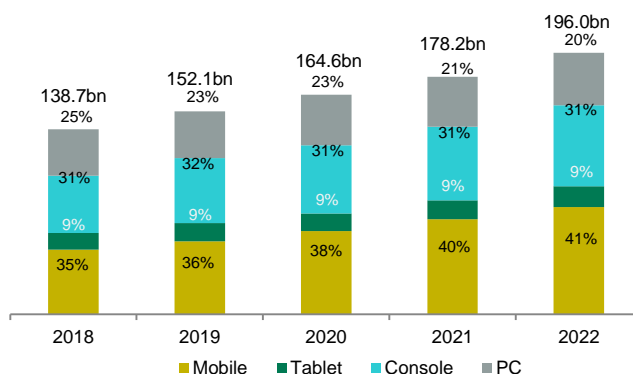
Over the past few years, video games have gone mainstream, moving from heavy PCs or consoles, to mobile devices that now represent the biggest gaming platforms. **Video gaming is now at the forefront in the battle for consumer's attention**, which is creating a significant opportunity for video game developers.

The digitalization of video games (i.e. global networked play, full game downloads, in-game content, video game streaming) has led the video game industry into a new growth cycle, where players' engagement and game monetization are reaching new highs. The number of players is expected to reach 2.7bn by 2021 (up from 1.8bn in 2014) while time spent playing games is consistently rising, reaching 7.1 hours per week in 2019 (+19.3% from 2018).

After a transition period in 2019 characterized by the absence of new global blockbusters, major video game makers reacted with a **promising pipeline of new game releases** and mobile versions of existing hit games that will drive the market in the short-term (i.e. EA's *Star Wars Jedi: Fallen Order*, Activision *Call of Duty Mobile*...).

In addition, we have identified four secular growth drivers for the market over the next years:

Global Gaming Market Size



Source: NewZoo, 2019 Global Games Report
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- ◆ **Mobile Gaming:** Mobile games have been the major growth driver, representing 45% of the total market and growing at the highest rate. Mobile phones are the most common device used for gameplay, reflecting the shift from traditional PC/console gamers towards the dominance of casual gamers on mobile. Games digitalization in app stores, in-game transactions, subscription-based models and advertising all represent great growth catalyst for games makers that have been converting their flagship games into mobile version.
- ◆ **E-sport:** The rise of e-sport is undeniable: for the first time in history, E-sport will surpass USD 1bn in 2019 (+26.7% yoy) and is expected to continue growing at a double-digit rate, representing a big opportunity that games developers are tapping into. To put it into perspective, in 2018, 99M viewers watched the *League of Legends Championship Final*, slightly short of the 103M viewers for the *Super Bowl Final*, the gold standard for sport viewership.
- ◆ **Cloud Gaming:** Cloud gaming represents a massive opportunity that was simply unattainable 10 years ago: any game can be played on any devices at any time without the gamer having to own a physical hardware (console) to process the game. And this is happening now. Google announced on November 19th, the launch of its own cloud gaming platform, *Stadia*, a new way to play games at enormous scale. Cloud gaming is due to disrupt the market in some significant ways, with new features for consumers, new content-delivery methods and new pricing models.
- ◆ **Augmented Reality / Virtual Reality:** Developing games with AR/VR features is early-stage but has already received very high interest from the gaming community (as shown by the success from *Pokemon GO*, the first AR mobile game) and could be a USD15bn market by 2025.

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