

# East to West: Global Online Gaming Trends

**Paha Schulz**

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Crytek GmbH

# Paha Schulz

- KOREAN - GERMAN
- 12 YEARS IN THE GAMES INDUSTRY
- 5 YEARS ASIA, 7 YEARS EUROPE (4 YEARS UK, 3 YEARS GERMANY)
- NCSoft (KOREAN HQ & EUROPE), ELECTRONICS ARTS, CRYTEK
- BUSINESS DEVELOPMENT, ONLINE PUBLISHING, MARKET ANALYSIS, MARKETING, PRODUCTION
- CURRENTLY RESPONSIBLE AT CRYTEK:
  - A. WARFACE & OTHER GAMES-AS-SERVICE TITLE BUSINESS DEVELOPMENT
  - B. GAMES-AS-SERVICE CONTENT SOURCING

# Crytek - Company facts

- ONE OF EUROPE'S LARGEST INDEPENDENT GAME DEVELOPERS
- DIGITAL ENTERTAINMENT AND TECHNOLOGY CREATOR
- 13 YEARS IN BUSINESS
- 650+ EMPLOYEES FROM 35+ NATIONS IN 8 STUDIOS WORLDWIDE
- 4 AAA GAMES RELEASED, 5+ IN DEVELOPMENT
- EXPANDING GAME BUSINESS FROM PACKAGED TO GAMES-AS-SERVICE TITLES INCLUDING ONLINE FREE2PLAY, MOBILE & SOCIAL

# Crytek Core Units & Brands

## GAMES



CRYSIS

RYSE

- Creation of interactive entertainment content & franchises based on CryENGINE technology
- Platforms: Console, PC, Online, Mobile

## REALTIME 3D TECHNOLOGY



- Development & licensing of CryENGINE technology

## SOCIAL ENTERTAINMENT PLATFORM



- Development & operation of social publishing platform
- Serve as an independent freemium distribution and service platform for online games & content

# Global Online Gaming Trends

# Recent Global Trends in Industry

- Lots of IPO (Initial Public Offering) News
  - Online Publishers, Social Developers, Mobile Publishers
- Lots of M&A (Merger & Acquisitions) News
  - Online Publishers, Mobile Publishers acquiring or investing into major Game companies (developers & publishers)
- Lots of Strategic Partnership News
  - Big IPs turned Online, Mobile, Regional deals

# Recent Global Industry News

## IPO

- ZYNGA SHARES FALL BELOW \$10 IPO PRICE – USA TODAY
- ZYNGA RIVAL NEXON'S TOKYO IPO SET AT \$1.2 BILLION - REUTERS
- NEXON IPO SETS \$7.2 BILLION VALUATION – DIGITALMEDIAWIRE
- MOBILE SOCIAL NETWORK GREE LANDS A BIG IPO, IN JAPAN – TECHCRUNCH

## M&A

- CHINA'S TENCENT BUYS STAKE IN US EPIC GAMES - FORBES
- TENCENT ACQUIRES MAJORITY STAKE IN RIOT GAMES FOR NEARLY \$400M - VENTUREBEAT
- NEXON TO BUY 14.7% STAKE IN NCSoft FOR \$687MLN – REUTERS
- PERFECT WORLD ACQUIRES MAJORITY STAKE IN TORCHLIGHT'S RUNIC - GAMASUTRA
- CHINESE ONLINE GAME DEVELOPER THE9 INVESTS \$20M IN RED 5 STUDIOS – GAMASUTRA
- JAPAN'S GREE ACQUIRES MOBILE GAME MAKER FUNZIO FOR \$210M - VENTUREBEAT
- GREE BUYS OPENFEINT MOBILE SOCIAL GAME PLATFORM FOR \$104M - VENTUREBEAT

# Recent Global Industry News

## Strategic Partnerships

- [ACTIVISION, TENCENT TO BRING CALL OF DUTY ONLINE TO CHINA - FORBES](#)
  - [VALVE AND NEXON PARTNER FOR COUNTER-STRIKE ONLINE 2 - KOTAKU](#)
  - [UBISOFT, GAMELOFT DEVELOPING EXCLUSIVE TITLES FOR UPCOMING GREE PLATFORM – GAMASUTRA](#)
  - [EA SPORTS AND NEXON PARTNER TO BRING FIFA ONLINE 3 TO KOREA – GAMESINDUSTRY.BIZ](#)
  - [POPCAP TAILORS NEW PLANTS VS. ZOMBIES GAMES FOR CHINA, TENCENT PARTNERSHIP - GAMASUTRA](#)
  - [TRION WORLDS TEAMS UP WITH SHANDA TO TAKE RIFT ONLINE GAME TO CHINA - VENTUREBEAT](#)
- 
- [TENCENT TO MANAGE CRYTEK'S WARFACE IN CHINA – GAMESINDUSTRY.BIZ](#)
  - [NEXON PUBLISHING CRYTEK'S WARFACE IN KOREA, TAIWAN - GAMASUTRA](#)
  - [MAIL.RU GROUP AND CRYTEK SIGN PUBLISHING DEAL FOR WARFACE – THE STREET](#)



Tencent 腾讯

GREE



Who are all these companies??  
(Who we have never heard of)

Where does all the money come from??  
(Who we never bought a game from)

& Why are they getting exclusive content with our IPs??  
(i.e. Call of Duty Online, Free-2-play for China only)

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PERFECT  
WORLD  
ENTERTAINMENT

# Online Games = Mass Market



# Comparison Chart

Size & Scale comparison with familiar Western companies

Company	Country	Market Cap (USD)	Enterprise Value (USD)	Revenue (2011, USD)	Operating Income (2011, USD)
Facebook	USA	\$ 76,660 M	\$ 74,071 M	\$ 3,710 M	\$ 1,756 M
Activision Blizzard	USA	\$ 12,962 M	\$ 9,486 M	\$ 4,755 M	\$ 1,328 M
Electronic Arts	USA	\$ 3,849 M	\$ 2,539 M	\$ 4,140 M	\$ 35 M
Zynga	USA	\$ 4,147 M	\$ 2,625 M	\$ 1,140 M	\$ -406 M
Tencent	CHINA	<b>\$ 53,621 M</b>	<b>\$ 50,600 M</b>	\$ 3,090 M	<b>\$ 1,560 M</b>
Nexon	KOREA/JAPAN	<b>\$ 8,025 M</b>	<b>\$ 6,462 M</b>	\$ 1,120 M	\$ 493 M
GREE	JAPAN	\$ 4,669 M	\$ 4,023 M	<b>\$ 1,750 M</b>	\$ 518 M
Mail.ru	RUSSIA	\$ 6,652 M	\$ 6,500 M	\$ 515 M	\$ 282 M
Ncsoft	KOREA	\$ 5,159 M	\$ 4,752 M	\$ 526 M	\$ 116 M
Shanda	CHINA	\$ 1,075 M	\$ 856 M	<b>\$ 5,572 M</b>	\$ 614 M
Perfect World	CHINA	\$ 457 M	\$ 311 M	\$ 474 M	\$ 162 M
Gamania	TAIWAN	\$ 155 M	\$ 100 M	\$ 242 M	\$ 16 M

Source: Each company IR Report, Financial Earnings & Public share value as of 27<sup>th</sup> July 2012

# Global Industry Forecasts

## F2P MMO Forecast (Park Associates)

Revenues (Billion USD)	2011	2012	2013	2014	2015	2016
Total N.A. Revenues	0.7	0.8	1.0	1.2	1.4	1.5
Total W Europe Revenues	0.2	0.2	0.4	0.5	0.6	0.7
Total APAC Revenues	2.2	2.7	3.1	3.7	4.1	4.5
Total ROW Revenues	0.1	0.1	0.2	0.2	0.3	0.3

Figure 39 Free-to-Play MMO Revenues per Region

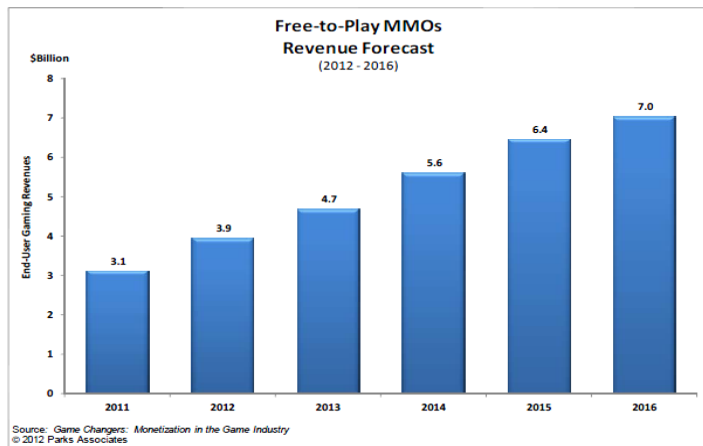
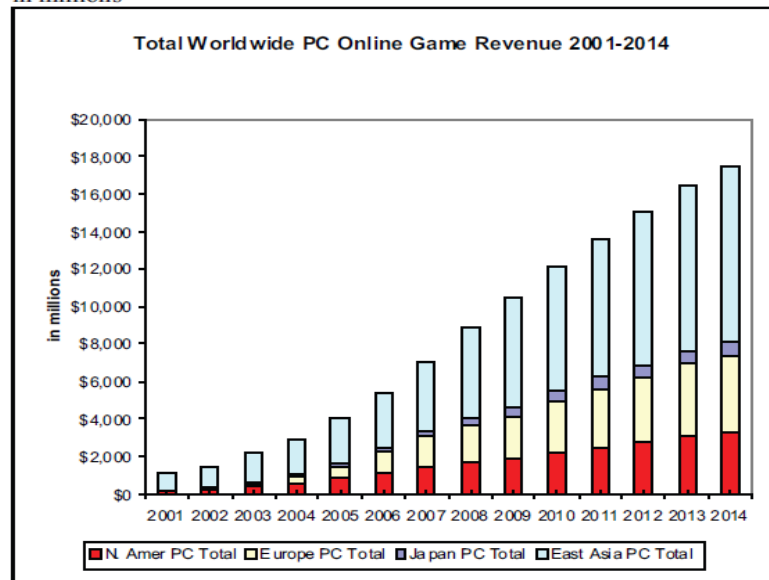


Figure 40 Free-to-Play MMOs - Revenue Forecast

## Total WW PC Online Game Rev (DFC Intelligence)

in millions



# Key Characteristics & Differences

## Asian & Emerging market

- Isolated individual markets (by countries, cultures, language)
- Online Gaming is main stream & mass market
- Freemium (F2P) with micro-transaction is dominating business model
- Local publishers (usually with gaming portal) dominate market already  
→ strong in multiple segments of local market (F2P, browser, mobile)
- Advanced in business model, behind in production quality

## North America & Western Europe

- Hard to isolate markets (English service invites global users)
- Huge segmentation of console, PC, F2P, browser, social, mobile games
- Client based F2P games are still niche, but Social games becoming mainstream
- Advanced in production quality, behind in business model



So how do you develop & service  
an Online Game **Globally**?

# Case Study: Warface



# How Warface is published globally

## North America & Europe

Crytek own  
Social Game Platform



- Gface is Crytek's own developed & operated social publishing platform
- Serve as an independent freemium distribution and service platform for online games & content

## Asia & Emerging Markets

Publisher

Territory

Tencent 腾讯



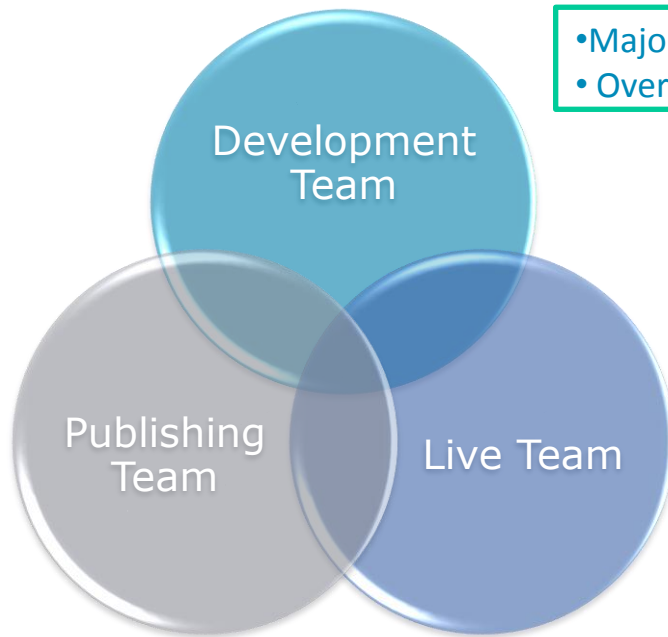
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- More territories & deals in negotiations



# Dev – Live – Pub – Environment

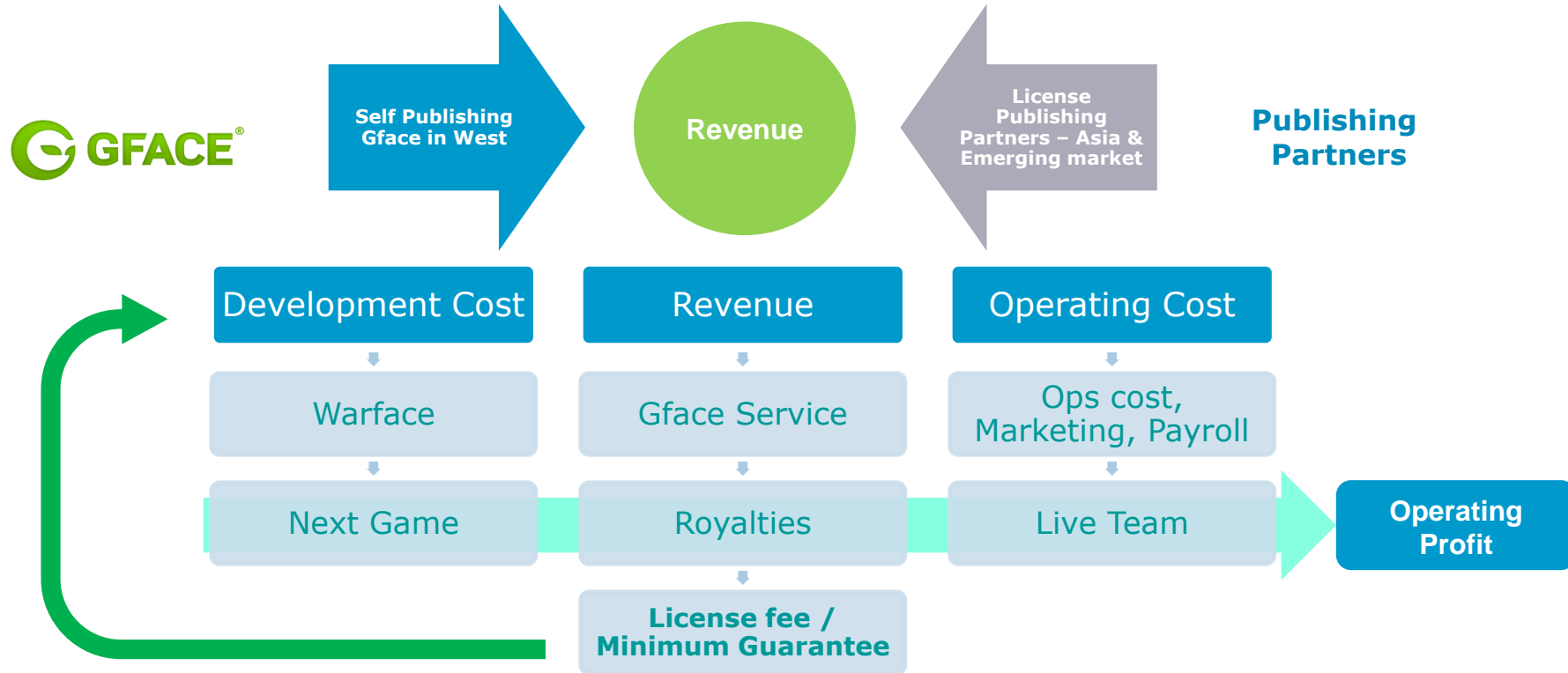


- Major content development
- Overall creative direction

- Owner of publishing & service
- Either local publisher or Gface

- Local content development & tweaking
- Owner of live environment

# Biz Strategy of Crytek Online Games



# Conclusion: future trends

# What's likely to happen in future

## Asian & Emerging market

- More IPOs & M&A from East to West
- Production quality will increase and close gaps to the West
- Market isolation will be reduced via mergers, not via market & users
- Asian companies & games will expand massively to West & Global

## NORTH AMERICA & WESTERN EUROPE

- More Western Games will be developed with Asian funds
- Business model will advance, F2P will become main-stream
- AAA IPs will become F2P
- Social will remain important, will expand beyond Casual to Hardcore

# Thank you

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