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Liberum - #1 - UK Computer Gaming equity raising



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Articles that caught our eye

[What will the next UK gaming IPO look like?](#)

Liberum analyst Andrew Bryant reflects on the flood of flotations in the last two years, and discusses why the next will need to be different.

[Ukie outlines its 2019 general election manifesto for the UK video game industry](#)

A trade body for the UK's games and interactive entertainment industry has outlined its manifesto for the 2019 general election. The manifesto focuses on public funding in the sector to drive economic growth, as well as how games can be used for child development.

[Less than half of US gamers purchased in-game content last month](#)

A survey conducted by [SuperData](#) found that players are spending less overall money on in-game content, but proportionally spending more on one or two games.

[China cracks down on online gaming with a curfew, time, and spending limits](#)

The Chinese government are attempting to ban game addiction by introducing new rules limiting minors to only 90 minutes of online gaming during the week, 3 hours per day on the weekend, no gaming between 10pm and 8am, and limiting spending to 400 yuan (£44/\$57) per month for 16-18 year olds (200 yuan for younger players).

Amazon reportedly announcing game streaming service next year >>[View more](#)

Golden Joystick awards results >>[View more](#)

Another top streaming leaves Twitch for Microsoft's Mixer >>[View more](#)

Paradox's creative director on getting rich, making Bad games, and more >>[View more](#)

Paradox wants to release more console games >>[View more](#)

Tencent seemingly plans on porting more games to Nintendo Switch >>[View more](#)

EA returns to Steam >>[View more](#)

WeWork is in early stages of forming electronic-gaming arm >>[View more](#)

Top 1% of mobile publishers take 82% slice of downloads >>[View more](#)

Apple Arcade may be accelerating premium game decline, but not by much >>[View more](#)

Microsoft's cheaper, discless next-gen Xbox reportedly still in the works >>[View more](#)
Nintendo finally brings Switch to tough Chinese market >>[View more](#)

Fund raising and capital markets

- Reliance Big Entertainment sell remaining 14.2% stake in Codemasters >>[View more](#)
- Successful block trade in Frontier Developments >>[View more](#)
- Codemasters place 9.52m shares to part fund Slightly Mad Studios acquisition >>[View more](#)
- LDC sell one third of their stake in Team17 >>[View more](#)
- Tencent buying 10% of Sumo Group >>[View more](#)
- Paradox profits up 36% in Q3 thanks to Age of Wonders: Planetfall >>[View more](#)
- Nintendo's second-quarter profit doubles as Switch Lite delivers boost >>[View more](#)
- Activision Blizzard sees slumping sales, sliding engagement >>[View more](#)
- Electronic Arts post strong 19Q2 results >>[View more](#)
- Proletariat raises \$20m for self-publishing >>[View more](#)
- Netmarble posts 54% profit increase in Q3 >>[View more](#)
- XR Games secures £1.5m investment >>[View more](#)

Movers and shakers

- Sega's John Clark moves to Tencent Europe >>[View more](#)
- John Carmack moves to "consulting CTO" role at Oculus >>[View more](#)
- Viveport president Rikard Steiber steps down >>[View more](#)
- Amy Hennig joins Skydance Media to establish new division >>[View more](#)
- Double Fine publishing boss Greg Rice departs >>[View more](#)

Codemasters acquire Slightly Mad Studios for initial \$30m consideration

Codemasters are acquiring racing developer Slightly Mad Studios for an initial \$30m consideration. The deal combines two leading developers in the racing genre, and adds 150 proven developers to the Codemasters team, as well as diversifying Codemasters IP and game release schedule. The deal also broadens the global partners to now include a Hollywood Studio, and Liberum analysts expect the deal to be 31% accretive to the first full year earnings.

Founded in 2009, Slightly Mad Studios is an award winning multi-platform video game developer most well known for their titles Project CARS and Need for Speed Shift.



Slightly Mad Studios are expecting to launch two own IP titles during FY21, and the other being the first ever mobile version of Project CARS. The studio are also developing a game based on a licensed IP relating to a Hollywood blockbuster movie franchise.

The studio have an excellent track record at releasing high quality games, with previous titles Project Cars (released May 2015) and Project Cars 2 (Sept 2017) having Metacritic scores of 83 and 84 respectively.

Planet Zoo takes top spot in Steam charts

November 5th saw the release of Frontier Developments title Planet Zoo. The game had already enjoyed pre-release success, with the public beta putting the game in the Steam Top Sellers chart for two weeks in a row. This success was then beaten on the game's release, with the title taking the top spot on the week of release, and maintaining a top 5 position for the week after.

37,000 concurrent players were online on release day, a number which then climbed to just over 38,600 on the following weekend. The previous title Planet Coaster has an all-time high of 22,000 concurrent users.



The review aggregator [Metacritic](#) has the game at a very strong 80/100 for critic reviews, and a user score of 8.1/10. [IGN](#) described the title as "a wildly satisfying park-builder", and [PCWorld](#) "one of the most satisfying builders I've ever played".

With such an open ended game for players to sink their teeth into, Planet Zoo is sure to keep gamers entertained for a long time to come.

Codemasters guarantee their place on the F1 starting grid until 2025

In October, Codemasters announced that they have extended their contract with Liberty Media to develop the officially licensed F1 game until 2025, with an option for a further 2 years. As part of this deal, Codemasters will also receive advertising inventory and marketing support across F1 channels, including trackside advertising.

In 2017 Formula One Management and Liberty Media founded the Formula 1 Esports Series, with 60,000 gamers participating in the inaugural series based on the game developed by Codemasters. This number grew in 2018 by 10%, driven by the involvement of the official F1 teams who set up their own teams and offered gamers the chance to win a place on their esports team and a share of the \$200,000 prize fund. 5.5 million people watched the series, with Mercedes taking the Team Championship.

The season returned in 2019, with an increased prize fund of \$500,000 and 109,000 players trying to earn a roster spot. The grand final took place this week, with Ferrari's David Tonizza clinching the drivers title and Red Bull sealing the teams' championship.



F1 2019 was released on 28th June 2019 and immediately took a top 3 spot in the UK gaming charts for 3 weeks straight. Since release, 1.7m hours of footage have been watched on Twitch with an all time high of 24k viewers. The title currently has a Metacritic score of 89.

Planet Coaster coming to consoles summer 2020

Not content with just Planet Zoo being in the spotlight, Frontier Developments have also announced that Planet Coaster will be coming to PlayStation 4 and Xbox One in summer 2020.

Console games are nothing new to Frontier, having previously released Jurassic World Evolution on to both PC and console in June 2018, and their previously PC only space-flight simulator Elite Dangerous came to the PlayStation 4 in June 2017 2 years after original release. Both games had successful launches and saw consoles account for a sizeable portion of overall sales.

Originally released as a PC exclusive in November 2016, Planet Coaster received an excellent reception with a Metacritic score of 84 and user reviews of 7.7.

Google Stadia launches with wide array of games

For those who pre-ordered the Founders Edition, Google Stadia went live on November 19. Stadia is Google's cloud gaming streaming service. Players are still required to purchase individual games, however they will be able to play these games on their TVs, PCs and even on mobile phones.

Stadia launched with [22 games](#) available on day 1, including Codemasters GRID 2019, Rockstar's Red Dead Redemption 2, and Ubisoft's Assassin's Creed Odyssey.

Cloud gaming has the potential to be a real disruptor to the traditional console cycle, there are a few technical hurdles (namely around connection speed and latency) that need to be addressed before the concept can become a serious contender, but other players are already getting involved in the space with Microsoft's [Project xCloud](#), and Amazon are [rumoured](#) to be launching a similar service in the new year.

Valve announces Half-Life: Alyx, it's first flagship VR game

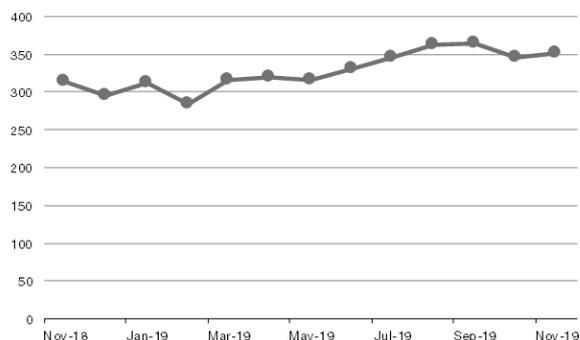
Over 12 years ago, Valve left their Half Life franchise on a cliff hanger ending from their title Half-Life 2: Episode 2. The game enjoyed excellent sales as part of the Orange Box bundle of games, which also included the puzzle game Portal and still popular online only game Team Fortress 2.

The interesting part about Half-Life: Alyx isn't that it's a prequel to the previous titles, it's that this game will be a VR exclusive. Whilst VR has been a hot topic in the gaming industry for some time, it's fair to say that the platform is yet to properly get into it's stride (as evidenced by no AAA titles being a VR exclusive as of yet). Although the Half-Life franchise don't quite have the reach of something like Call of Duty, this move by Valve will certainly be a driver in more gamers investing in a PC based VR system.

Half-Life: Alyx is due for release March 2020.

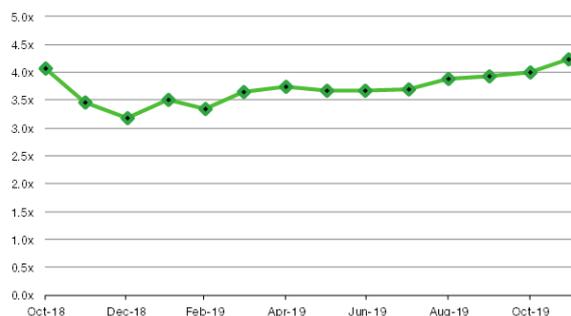
The charts below detail the Liberum gaming index which comprises a market cap weighted list of global computer gaming companies, the companies forming this index are listed in the table of valuations (source Factset).

Gaming Sector Index



Source: Liberum

Gaming Sector Index EV/Sales



Source: Liberum

Gaming consensus valuations

Company Name	Year End	Market Price (£)	Market Value (£m)	EV/ SALES		EV/ EBITDA		Price to Earnings	
				CY'19	CY'20	CY'19	CY'20	CY'19	CY'20
Activision Blizzard	Dec	41.80	32,116	6.1x	5.5x	17.5x	14.6x	24.9x	22.0x
Capcom	Mar	18.68	2,531	3.5x	3.2x	12.6x	10.7x	19.6x	17.5x
CD Projekt	Dec	51.63	4,963	58.7x	7.0x	175.4x	9.1x	241.6x	13.6x
Codemasters	Mar	2.40	363	4.3x	3.7x	18.5x	16.4x	20.2x	18.9x
Electronic Arts	Mar	77.63	22,667	4.9x	4.6x	14.6x	13.3x	21.4x	21.0x
Frontier Developments	May	12.10	471	6.6x	5.6x	21.2x	17.6x	35.9x	33.3x
Keywords Studios	Dec	13.54	882	3.4x	2.9x	19.6x	16.3x	29.3x	25.0x
Paradox Interactive	Dec	11.19	1,182	10.8x	8.5x	19.5x	14.7x	39.5x	30.5x
Sumo Group	Dec	1.60	241	4.4x	3.6x	16.2x	13.3x	25.0x	23.3x
Square Enix	Mar	38.72	4,745	1.9x	1.7x	13.5x	10.5x	27.7x	21.5x
Take-Two Interactive	Mar	94.24	10,682	4.1x	4.0x	17.5x	16.2x	25.6x	25.0x
Team17	Dec	3.17	416	6.8x	6.0x	19.0x	16.8x	28.3x	26.0x
THQ Nordic	Dec	5.72	1,607	3.7x	2.9x	11.1x	7.9x	32.1x	22.8x
Ubisoft Entertainment	Mar	49.23	5,935	4.7x	3.2x	12.6x	7.2x	21.7x	22.4x
Average				8.9x	4.4x	27.8x	13.2x	56.3x	23.0x

Source: Factset consensus

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