

Evolving business models in the games industry

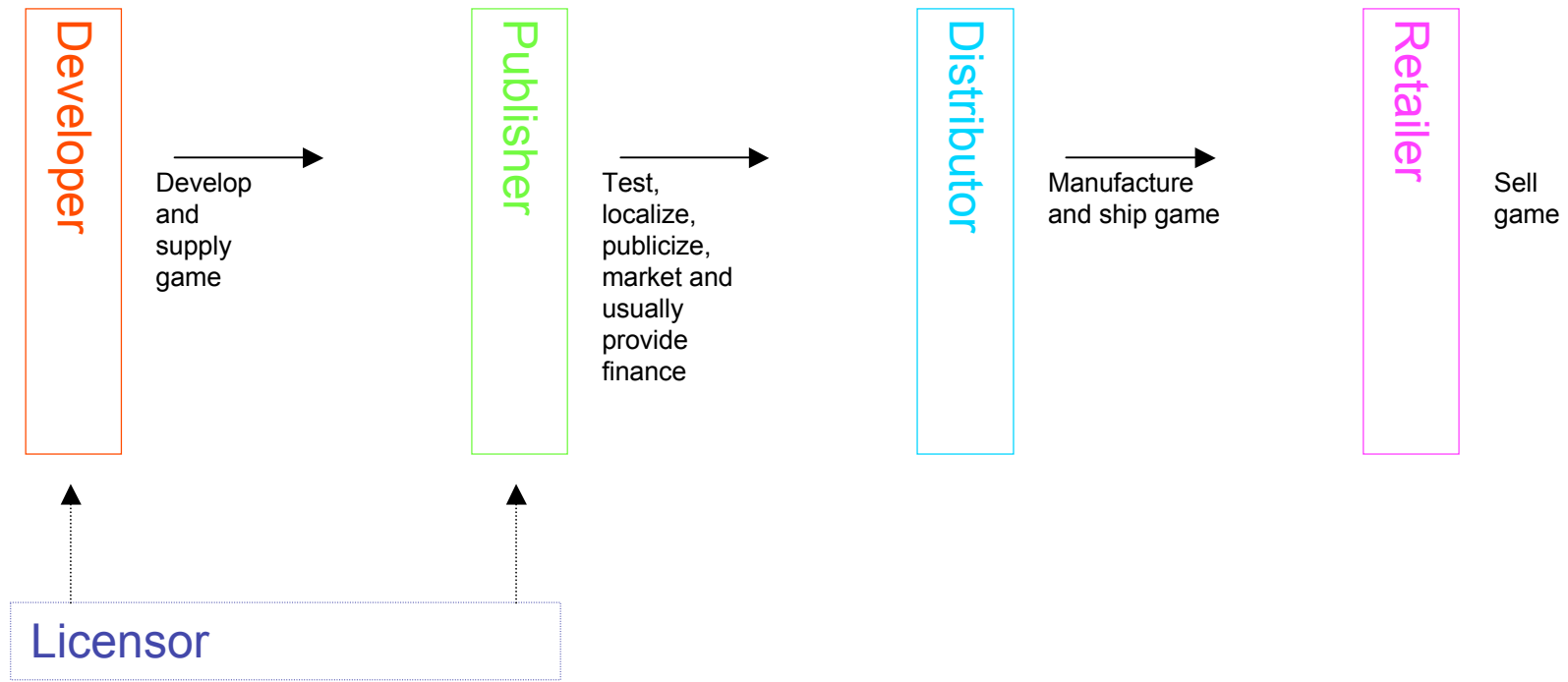
Tim Gatland (F4G Software plc)



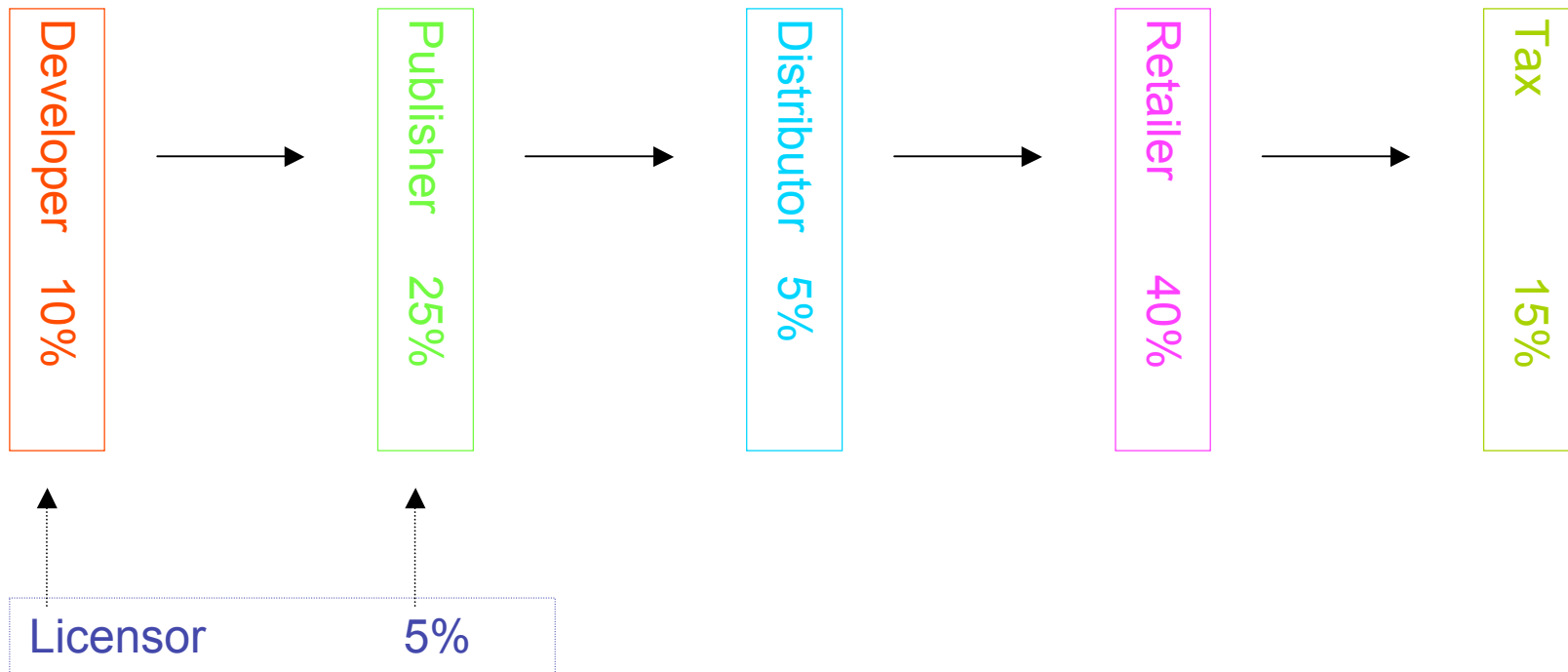
F4G Software plc

- Formed in 2003 to provide a different model for funding video game development.
- Raised \$5m of initial capital from private investors under a tax-advantageous structure.
- Have so far provided funding for 7 game developments, mostly in the UK.
- Established robust (and proven!) structures to allow third party finance of video games.

Where we were (console/PC).



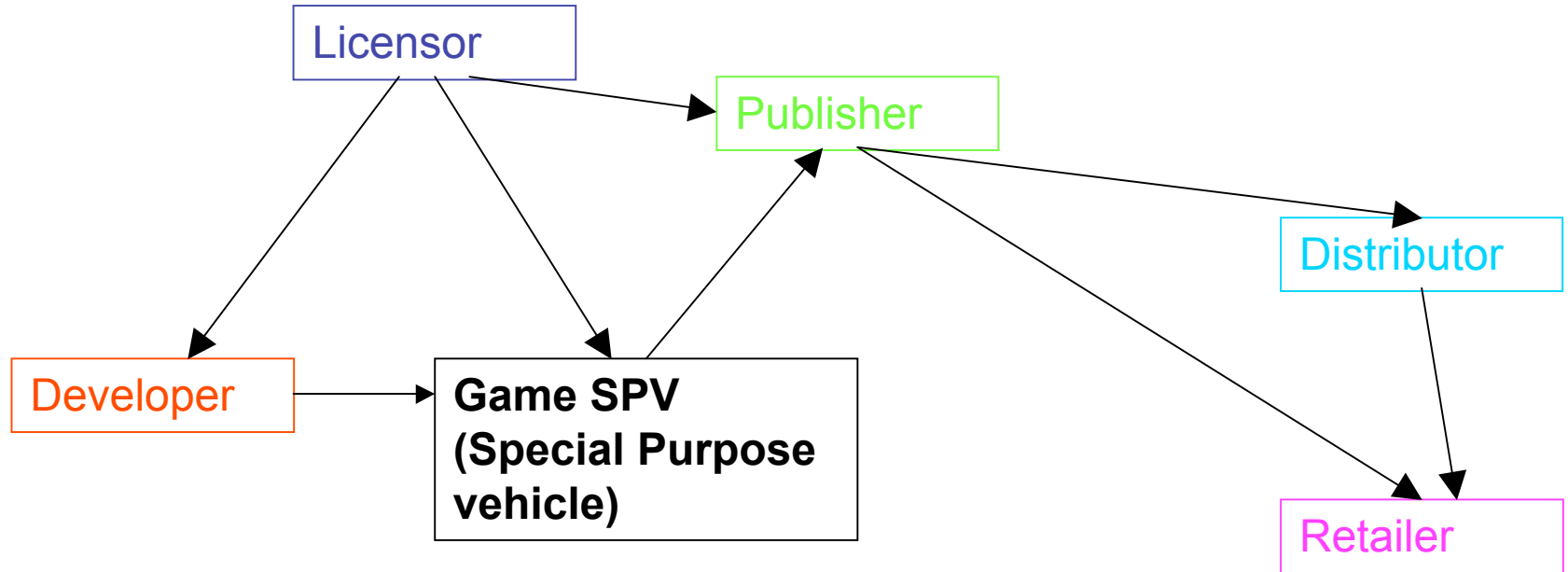
Where the money goes – assuming a conventional royalty model



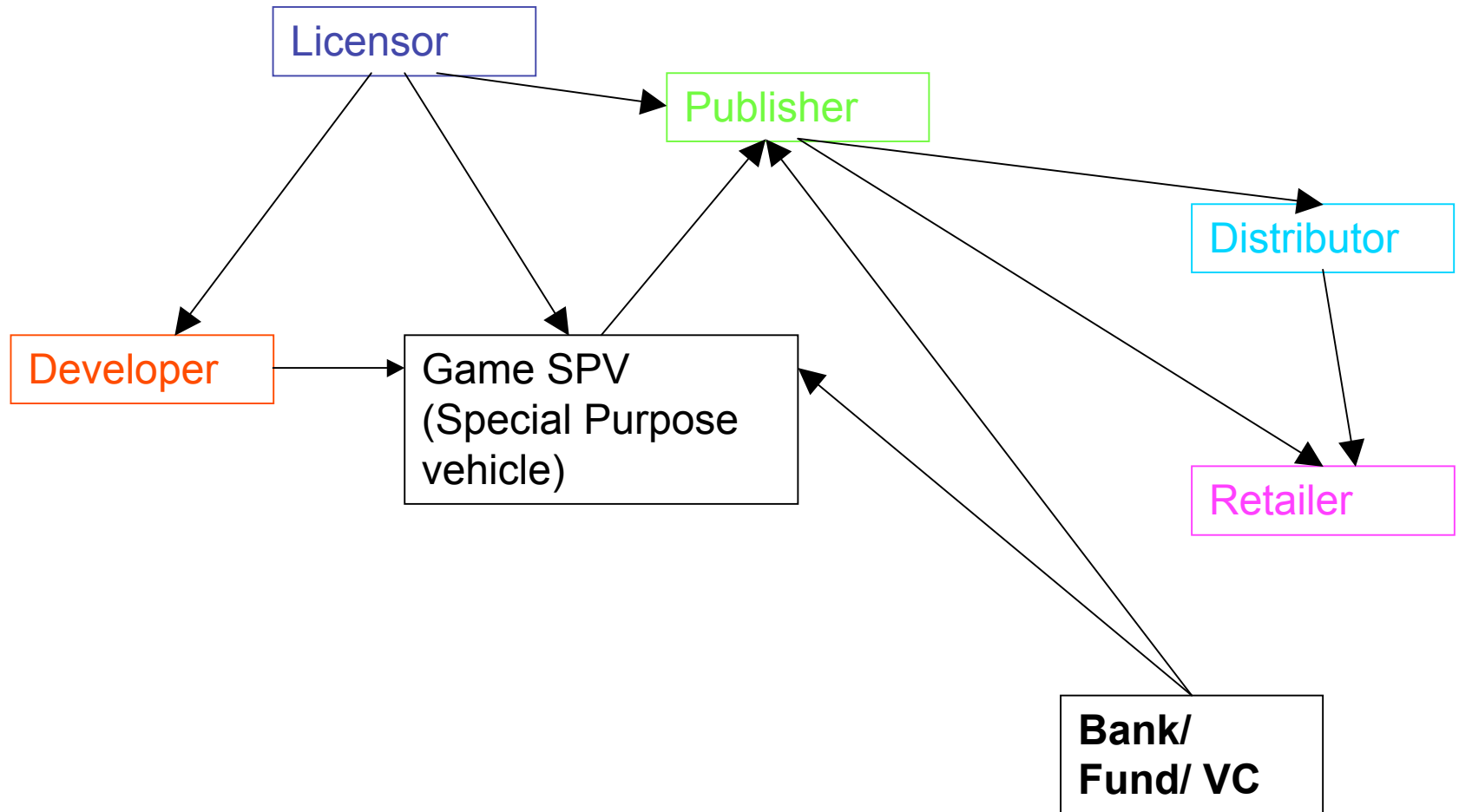
What is wrong with the current model?

- More complex hardware leads to higher development costs. This means:
 - More capital required
 - More risk of expensive failure
 - More complex (expensive!) technology (“game engines” required)
 - Gaps between projects, or cancellation of a project, lead to unsustainable losses for developers
- Lack of innovation in games is giving way to a surfeit of safe, license-based, titles.
- Traditional (equity) investment models have **not** delivered good returns to investors
- By being the ‘banker’ to the industry, Publishers become liable for many of the risks – even if they can little direct control over key elements of the development.

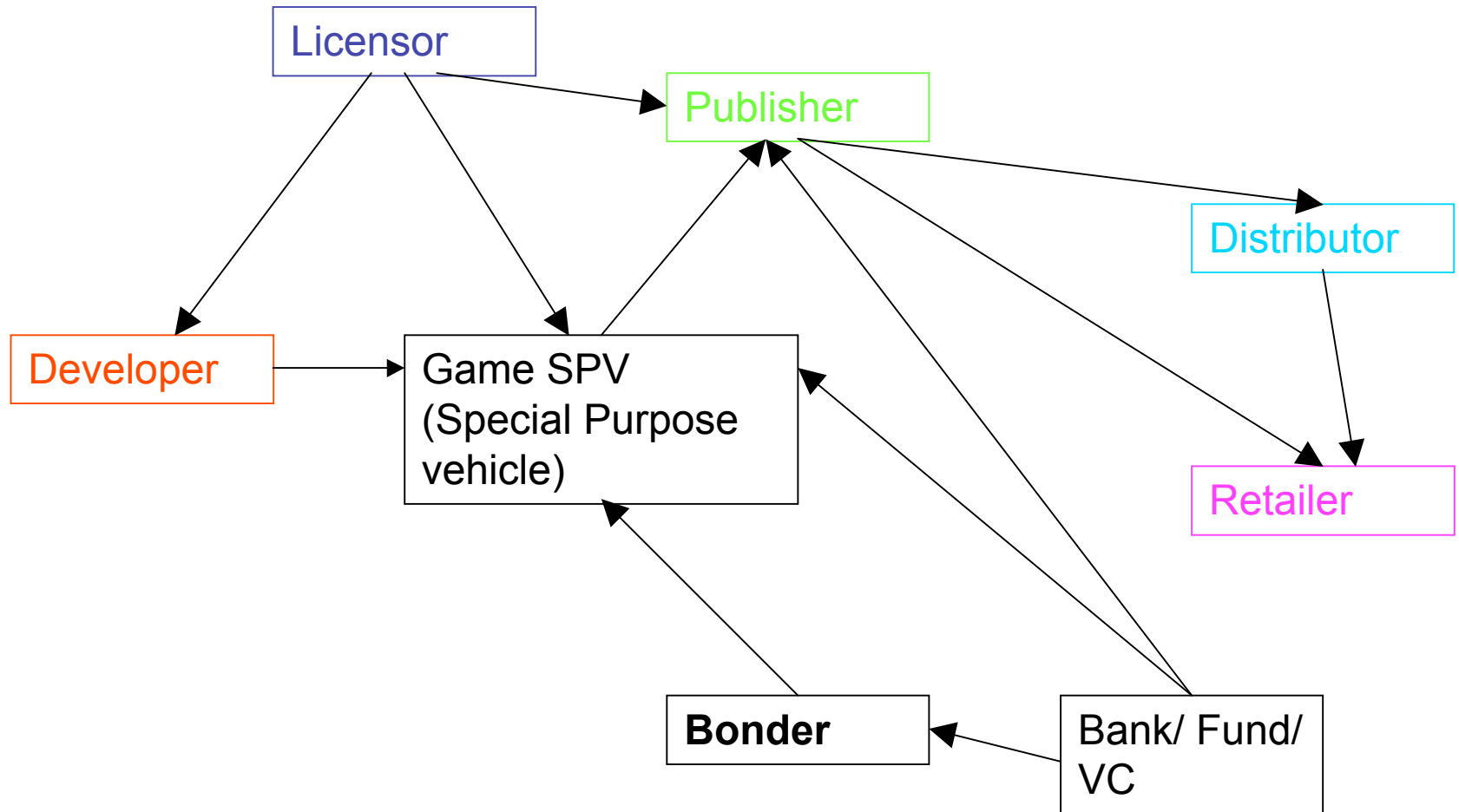
Brave New World



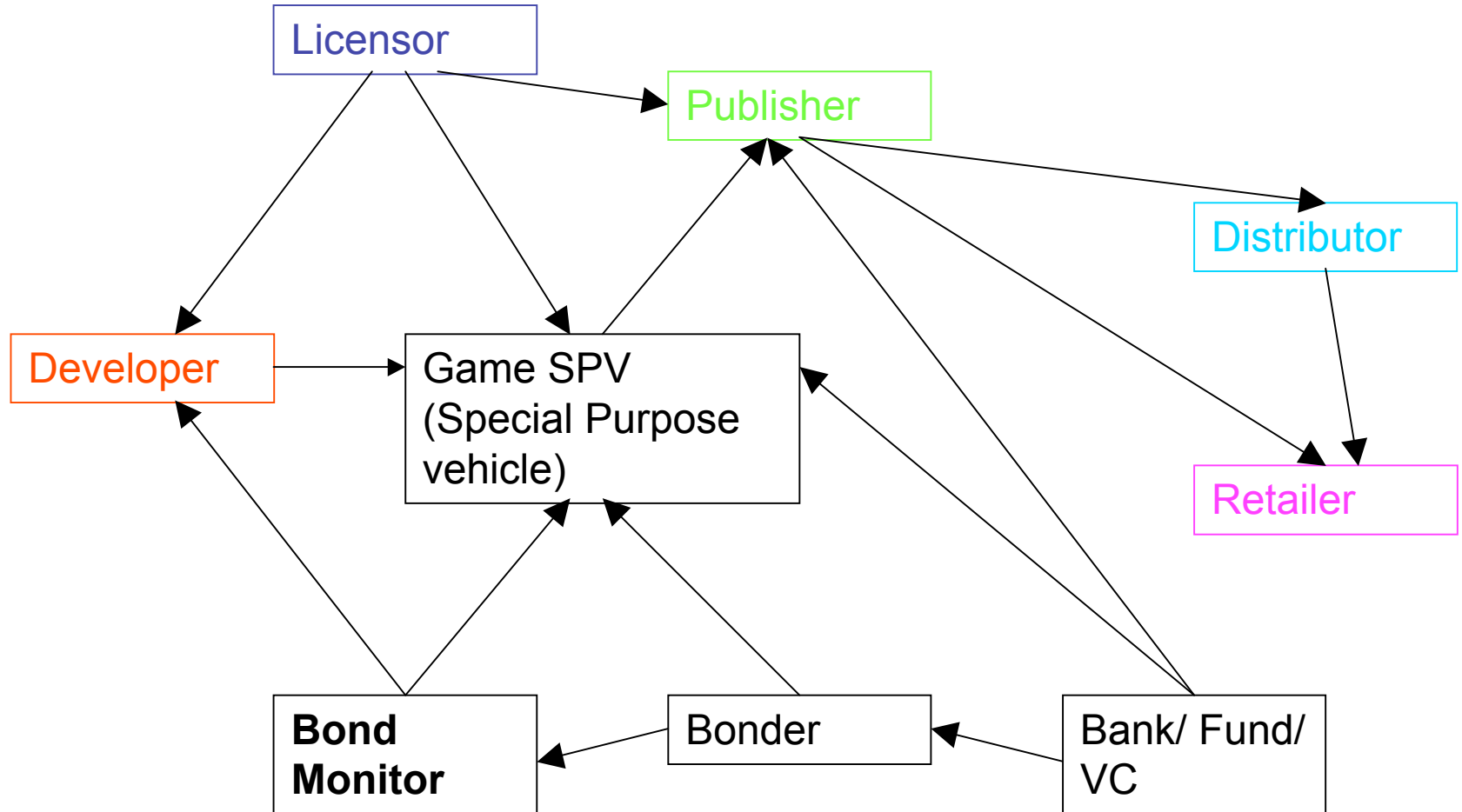
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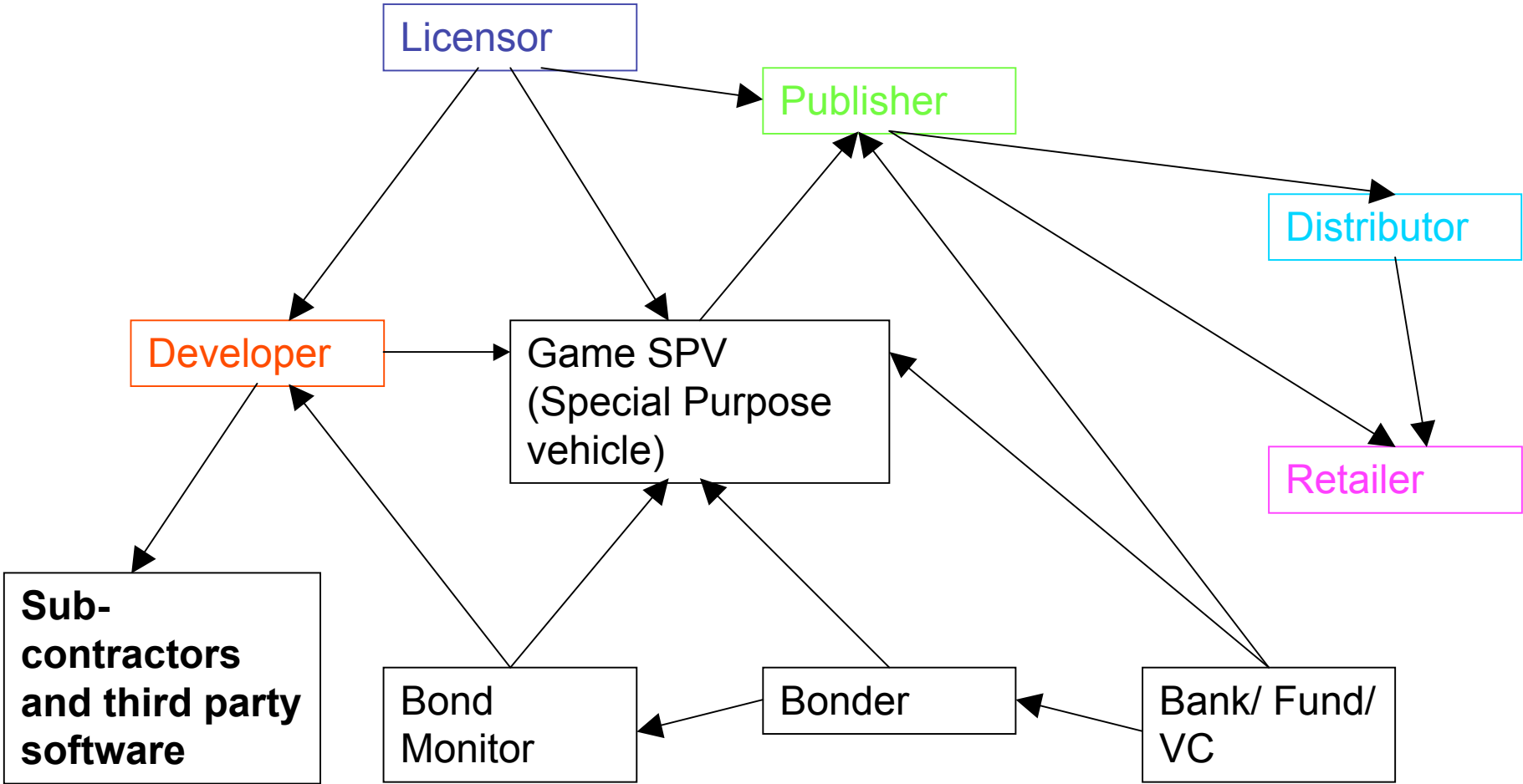
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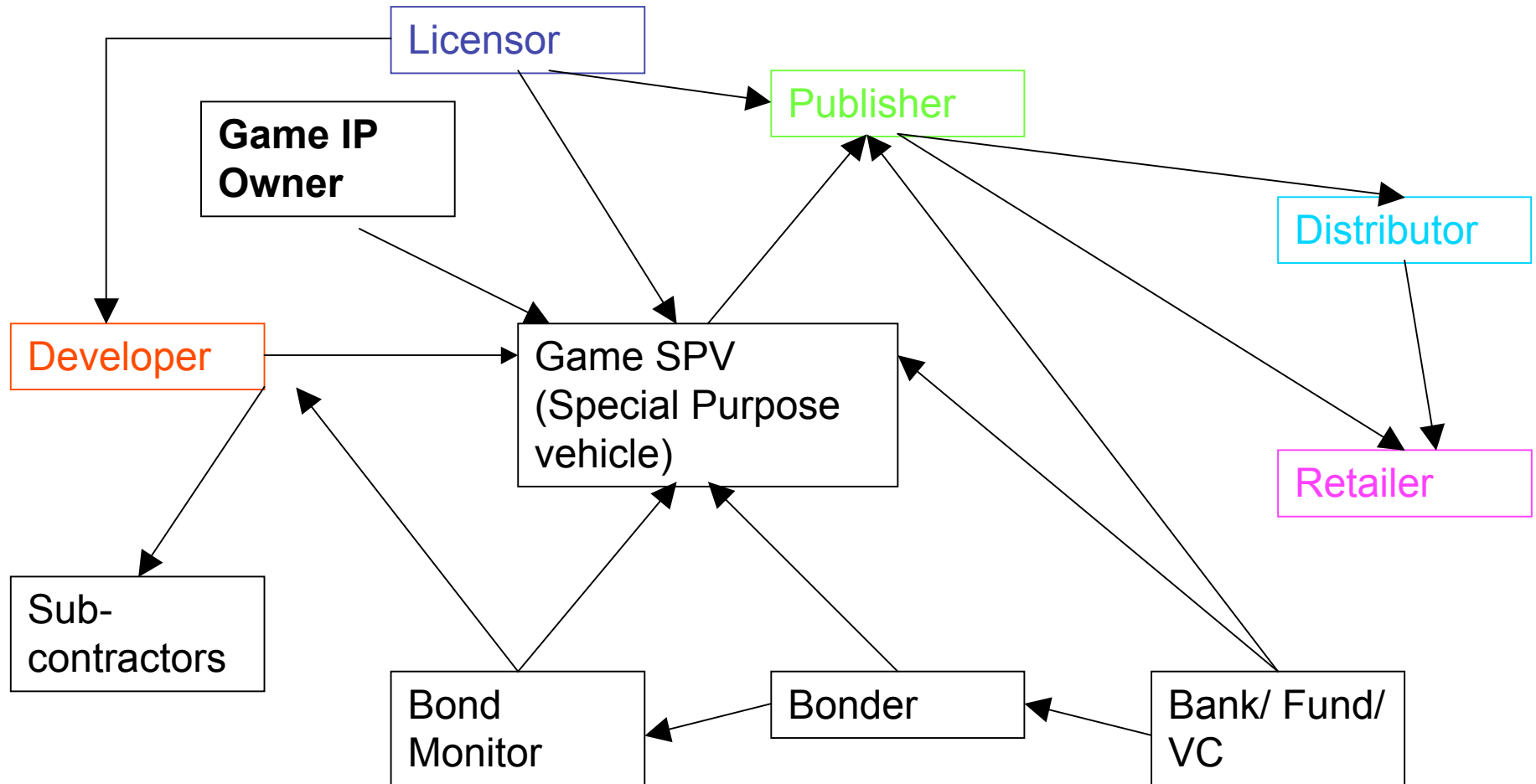
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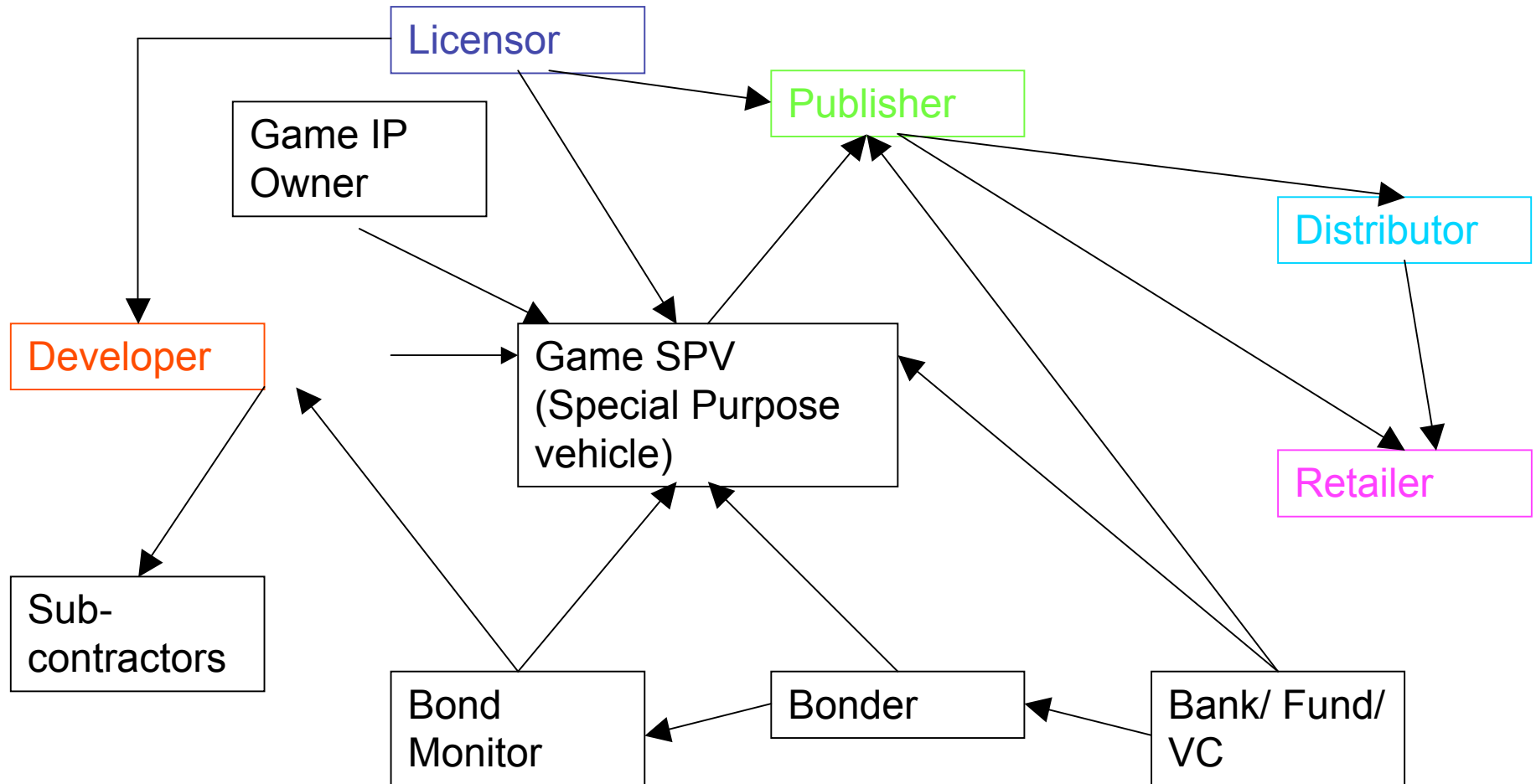
Brave New World



Brave New World



Brave New World



*Plus: Agents, Tax advisors, Lawyers, Project managers, Accountants.....*¹²

(some) Legal Issues

If it can go wrong.....

- Requirements change
- Markets change
- Developers fail to deliver (budget, time, technically)
- Publishers default
- Developers become insolvent
- Publishers become insolvent
- Licensors change direction
- Jurisdiction interpret contracts differently

F4G projects

