

Sector Update

March 2010

Games & Social Media

SOCIAL GAMING: THE FASTEST GROWING SEGMENT OF THE GAMES MARKET



Alec Dafferner

alec.dafferner@gpbullhound.com

San Francisco: +1415 986 0168

Justine Chan

justine.chan@gpbullhound.com

San Francisco: +1415 986 7480

Remy Valette

remy.valette@gpbullhound.com

London: +44 207 101 7565

Social gaming sector showing tremendous promise

Taking advantage of the behavioral and social dynamic that people like to interact and play games with their friends online, social games have proven to be viral and extremely sticky with a broad, mass-market audience. Within the last year, social games have exhibited explosive growth, cementing their place as an important and rapidly-growing sector within the \$50B global games market.

Trends indicate explosive growth in near-term

Our interviews with social gaming companies suggest that the social gaming sector is well-positioned for record growth in 2010. Bolstered by increasing Internet usage by the mass-market, broad social network penetration and strengthening ARPU rates, we believe that the social gaming market will continue to grow through greater participation from existing users and viral participation from new users. Based on industry sources, we estimate the global social gaming market to grow from \$1 billion in 2009 (\$600 million from the US) to just over \$3 billion in 2012, representing a CAGR of 45% over that time period.

Poised to gain share from traditional gaming avenues

As consumer discretionary income continues to recover from the financial downturn and the quality and breadth of social games continues to improve, we expect that traditional console and PC gamers will look toward social game alternatives to the more costly and hardware-intensive traditional game segments. Given the relatively nascent stage of the social games sector, we expect significant improvements in game play and functionality as developers gain more experience on social media platforms and social game development budgets expand.

The big social game players will continue to get bigger

Given the importance of diversification and marketing budgets to drive user and traffic growth, we expect the larger players like Zynga, Playfish and Playdom to continue to extend their leads over smaller players through market share growth and acquisitions. Several medium-sized and smaller players such as Lil' Green Patch, Trippert Labs and Serious Business have already combined with larger players with greater resources.

Look to traditional game and media companies to acquire

Traditional game and media companies will look to gain expertise through acquisitions, as seen by Electronic Arts' (EA) acquisition of Playfish in November 2009. EA has already begun to launch lighter, social network-based versions of its popular Madden, NCAA, and Tiger Woods games, and we expect other companies will look to diversify revenue streams and follow suit.

INTRODUCTION

What are Social Games?

We define social games to be web-based games, or applications, that are similar in complexity to casual games and integrate the community-based attributes of social networks.

Social games integrate social features to allow players to track the progress of their friends, or other members of their social graph, and play with those who may be online or offline at that time (synchronous versus asynchronous game play). Since members are aware and affected by the actions of other friends in the game, the social networking or media platform used in social gaming contributes to the game's virality and generates social camaraderie, often making social games stickier than traditional casual games.

Social games occupy a unique niche within the broader gaming ecosystem. Unlike most traditional console or PC games, social games are driven by social interaction, rather than strategy, are graphic light and have no hardware requirements. While more akin to casual games, social games feature stronger community interaction and iterative development processes. As we will discuss, the unique social gaming business model efficiently addresses the advantages and challenges of operating within a social network platform.

The majority of social games today are played using Facebook. Facebook is currently the world's leading social networking site, with over 400 million active users (70% from outside the US) and growing. Developers today design their games specifically for the Facebook platform, as it is widely regarded as *the* hub of users and attention.

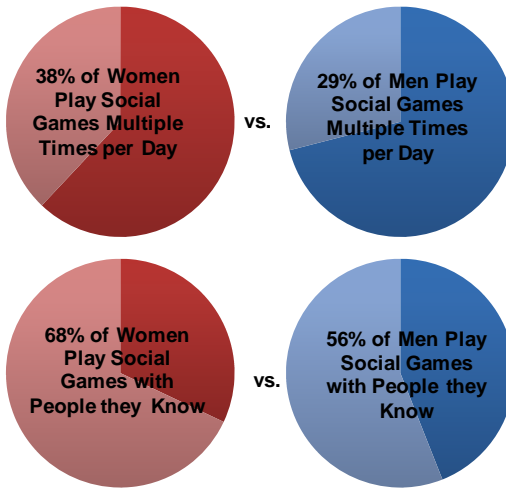
Games for Everyone

Broadly, social games are targeted towards all users (i.e. the "mass market") of social networking platforms. However, typically social games more specifically are designed with users aged 18 to 35 in mind, as they represent the most active social network users.

Low production costs, relative to other forms of games, allow social game developers to produce a diverse range of games to address users across different demographics. For example, *Mobsters* appeals to men, while *Sorority Life* appeals more towards women. Moreover, the iterative development nature of social games allows developers to adapt the games to the behavioral trends of their users after its release.

Interestingly, a recent study by the Information Services Group found that the average social gamer is a 43 year-old woman, breaking longstanding stereotypes surrounding gamers. The study also found that the majority of all social gamers are female (55%) and that women are more likely to play social games multiple times a day (38% of females vs. 28% of males). Attributing to the strength of social networking, the same study revealed that women are more likely to play with people they know.

Exhibit 1 – Breaking Traditional Gaming Stereotypes

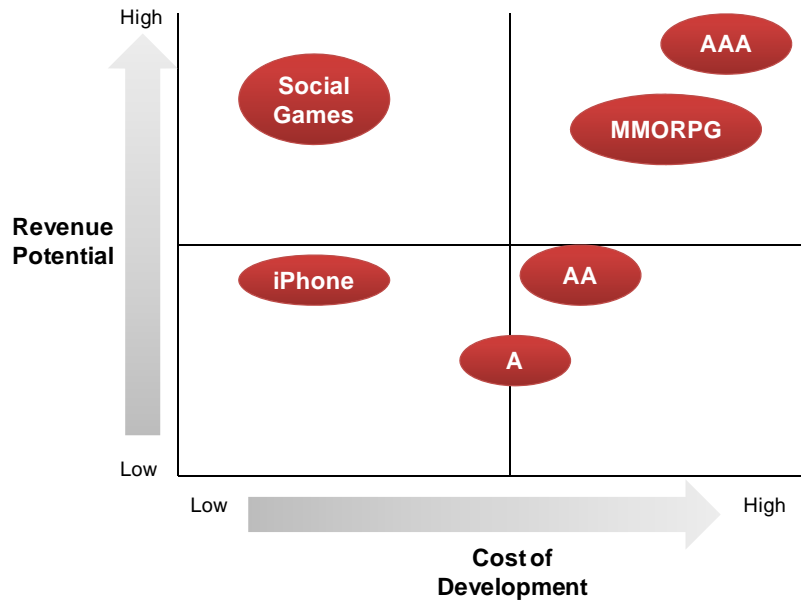


Source: GP Bullhound, Information Services Group, Mashable

The Social Gaming Model

The economic and risk profile of the social games model differs significantly from that of traditional games.

Exhibit 2 – Gaming Market Landscape



Source: GP Bullhound

As shown by the above exhibit, social games are significantly less costly to develop than traditional console and PC games. Whereas top PC / console triple-A “mega titles” and MMORPGs (Massively Multiplayer Online Role-Playing Games) may take \$50-100 million to develop (not including marketing budgets), social games today typically cost \$100–200K to develop and can be produced in 3–6 months. While there will always be a solid market for big budget triple-A titles

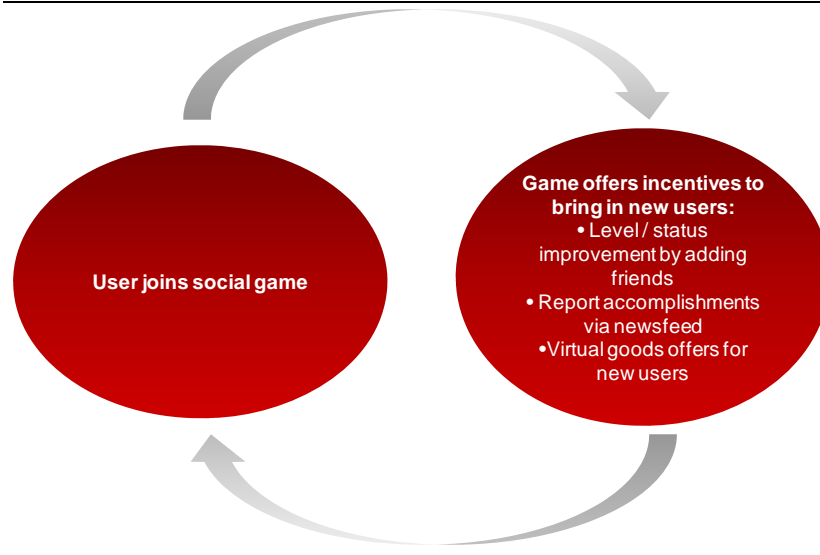
such as Call of Duty (which had an estimated development cost of \$40 - \$50 million and generated sales of over \$1.0 billion in the first two months, according to the Los Angeles Times), these games are also much riskier, as they may not produce a hit but have large budgets. Over time, we expect to see much of the investment capital funding the double-A and single-A titles to move toward lower cost platforms like iPhone and Social where development costs and risks are low but revenue potential is still strong.

The deployment of social games through social networks enables their development to be iterative throughout the game's life span. In contrast to the multi-volume franchises common to traditional games, social games can continuously issue updates and upgrades with minimal additional capital requirements. These iterations ensure that games remain exciting and relevant to their constantly expanding audience while also improving monetization.

This iterative approach to game development and improvement means that marketing budgets can cost anywhere from 50% of the cost of development for less successful games to millions of dollars over many months for more successful games. According to its CEO, Mark Pincus, Zynga, for example, spent a couple million dollars just marketing the launch of FarmVille. Many social game companies focus on the cost per install as a key metric for user acquisition. Cost per install of 50 cents is the industry average with some of the larger players reaching \$2 to \$3 per install for top games with large marketing budgets and good monetization rates.

The existence of social games within social networks allows them to tap into the viral nature of social media. Kristian Segerstrale, CEO of Playfish recently stated, "Over 95% of our growth is viral. In fact, when we launched our first title..., we started by inviting 100 of our own friends, and we've grown from there to over 60 million registered players across our games organically."

Exhibit 3 – Social Gaming Viral Marketing Model



Source: GP Bullhound, Facebook

Social games generate user stickiness by allowing users to develop a virtual life within the game, as farmers, mafia heads, or even builders of a virtual world. As gamers interact within the game, they build stronger connections with both the game itself and the other users, integrating their virtual world with everyday life. According to industry sources, many users of FarmVille set alarms to wake-up at the right time for harvesting.

Viral Factor

One key component to a social games' success is its viral factor, the term used to describe the growth rate, or distribution, of viral applications. A social game having a viral factor of 1 is in a "steady state" of neither growth nor decline, while a viral factor greater than 1 indicates exponential growth and a viral factor less than 1 indicates exponential decline. This viral factor distribution measures how many additional users, on average, a social game or application will gain from each new user it acquires. For a game to be successful, it needs to have a viral factor greater than 1 in order to take advantage of viral distribution which drives exponential growth. A game's viral factor, in addition to its retention rate and ARPU are key components in determining a consumer's lifetime value.

Success Factors

While the success of social games remains difficult to predict, we believe that the following underlying factors are key to creating successful social games.

First, a simple game concept is a key factor for social game player acquisition. Social games are appealing to many, particularly non-gamers, because of low levels of complexity. Keeping games simple allows for easier viral distribution within social networks because potential players are not alienated on the basis of gaming skill level.

Second, games must leverage the "social" nature of social networking. Key to the game's viral marketing, the game should allow players to share their experiences and interactively play with their friends.

Third, games should successfully build a dialogue with the player. That is, games should provide live updates and drive users to incrementally check into the game. Doing so will help keep the game front of mind for the player, helping to increase stickiness.

Finally, we believe that social game developers must take advantage of the online deployment model to continuously adjust and upgrade games so that they continue to capture and maintain user interest. The ability for iterative development remains a key distinguishing feature for social games, and developers must leverage this advantage to keep titles fresh and relevant.

Facebook has Become the Dominant Platform

Going back 18 to 24 months, many social game developers were producing games for multiple social media platforms including Facebook, MySpace, Hi5, Bebo and others. However, with the emergence of Facebook as the dominant global social media platform (400 million users projected to grow to 800 million in the next few years) and the concurrent decline of MySpace, many social games

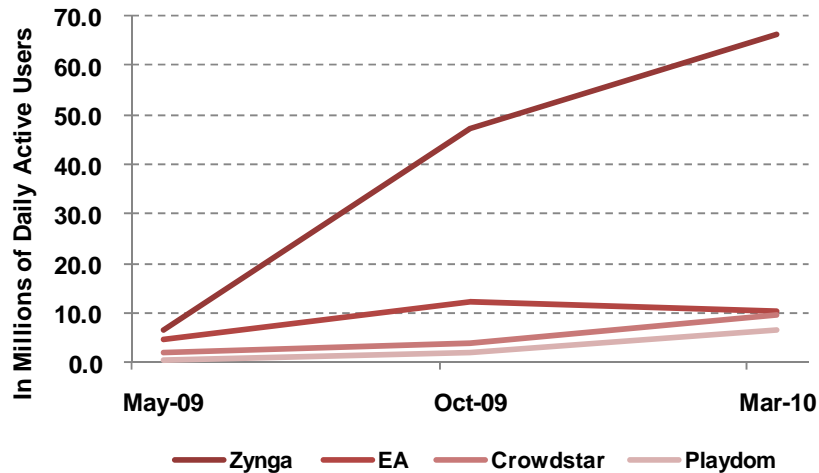
developers have abandoned all other platforms except Facebook. As a result, many of the other social networks such as Hi5 and Bebo have adopted the Facebook API in order to remain competitive by providing greater distribution for games on their networks.

One of the top social game companies, Playdom, started its life developing games predominantly for MySpace. However, it quickly realized the changing market dynamics and shifted its development focus over to Facebook. It also has aggressively pursued acquisitions to help bring more Facebook games and development expertise in house. After raising \$43 million in November, 2009, the company immediately announced the acquisitions of Lil' Green Patch and Trippert Labs, both of which had successful Facebook games and development talent. In March 2009, almost 100% of Playdom's traffic was from MySpace while now 75% of their traffic comes from Facebook.

Competitive Landscape

An early pioneer in Facebook social gaming, Zynga currently dominates the social games sector, with over 66.4 million daily active users and 42 social games available on Facebook.

Exhibit 4 – Social Gaming Competitive Landscape for Market Leaders



Source: GP Bullhound, AppData

Zynga's foothold as the leading social games developer is clear, as the company's monthly active users on Facebook account for 60% of the top ten developers' aggregate monthly active users on Facebook. Nevertheless, Zynga has continued to grow organically and through acquisitions such as Serious Business, with monthly active users on Facebook up 889% since May 2009.

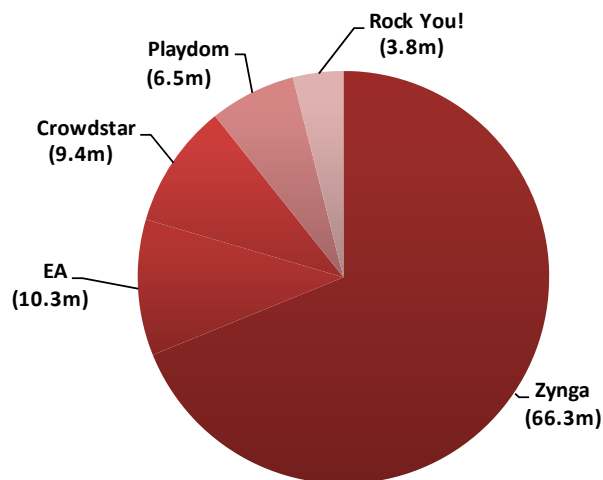
Trailing Zynga by approximately 58 million users are Playfish/Electronic Arts (EA) and Crowdstar, with 10.3 million and 9.4 million daily active users on Facebook, respectively. EA holds a portfolio of 30 Facebook games, and has leveraged its acquisition of Playfish to launch popular console and PC brands, such as Madden Football, Tiger Woods PGA Tour, and NCAA Football, in social game formats. Relatively new to the social gaming scene, Crowdstar has experienced explosive

success, with Happy Aquarium, Happy Island, and Happy Pets accounting for 97% of its daily active users from its 12-game offering.

With over 6.5 million daily active users and 17 games currently available on Facebook, Playdom remains a strong competitor within the social gaming marketplace, fueled by its acquisition of Lil' Green Patch and Trippert Labs in November 2009.

A macro look at the competitive landscape shows that these top game providers account for a disproportionate share of active users and top games.

Exhibit 5 – Dominance of Major Social Gaming Players on Facebook



Rank	Game	Daily Active Users	Developer
1	FarmVille	30.5M	Zynga
2	Café World	9.0M	Zynga
3	Mafia Wars	6.8M	Zynga
4	Texas HoldEm Poker	6.6M	Zynga
5	FishVille	4.9M	Zynga
6	PetVille	4.8M	Zynga
7	Happy Aquarium	4.6M	CrowdStar
8	Pet Society	4.5M	EA
9	Restaurant City	3.6M	EA
10	MindJolt Games	3.4M	MindJolt

Source: GP Bullhound, AppData

Nevertheless, as evidenced by the success of Crowdstar, we believe today's consumers remain relatively brand agnostic, leaving significant opportunity within the social gaming sector to become a leading market player.

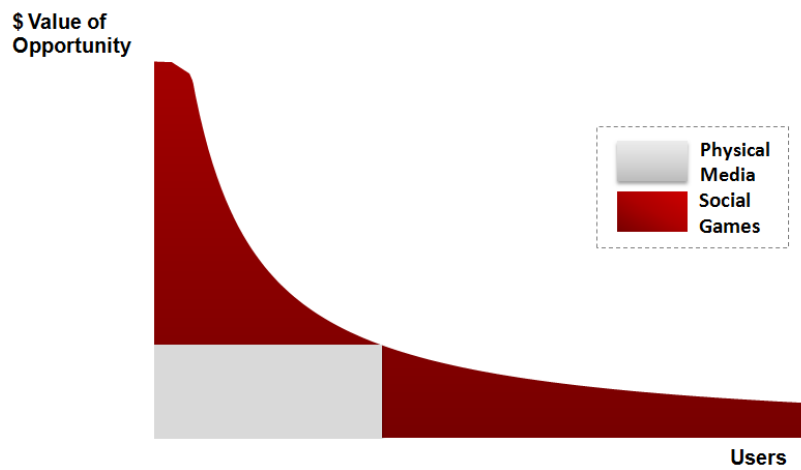
CURRENT STATUS OF SOCIAL GAMING MARKET

Market Opportunity and Sizing

According to comScore, social network users make up more than two-thirds (and growing) of total Internet users. We believe that the rapid growth in users makes social networks a strong platform for social game developers to build awareness and acquire players. According to ThinkEquity, the current penetration of games on social networks remains less than 10%, suggesting significant room for growth.

The social gaming market is particularly well-positioned to broadly capture users, due to their viral nature and universal long-tail appeal and availability/accessibility. Compared to console or PC games, which typically are distributed in physical media format and often require additional hardware platforms, social games can be accessed by anyone using a social networking site anywhere in the world with an Internet connection. As such, we believe the traditional media-oriented games segment is much more limited than social games as illustrated in Exhibit 6.

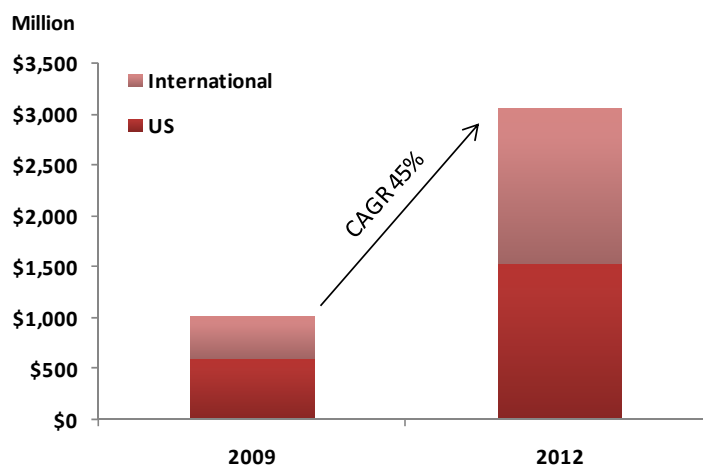
Exhibit 6 – Social Gaming Market Opportunity



Source: GP Bullhound

Based on recent interviews from industry executives and supporting market research, we estimate the global social gaming market generated revenues of \$1 billion in 2009, with \$400 million coming from outside the US. We expect this market to grow at a compound annual growth rate (CAGR) of 45%+ for the next three years. As the market for social games in China and Asia continues to grow, we expect the social gaming market outside the U.S. to account for a greater share of the overall social gaming industry.

Exhibit 7 – Global Social Gaming Market Growth



Source: GP Bullhound

Monetization Strategy

Most social games currently operate using a free-to-play model and generate revenues through i) micro-transactions, ii) lead generation, iii) advertisements, and iv) subscriptions. However, micro-transactions are the top monetization strategy across the industry, accounting for approximately 80-90% of revenues for the top players, according to industry sources. Examples of micro-transactions include purchase of digital gifts, clothing or level increases.

The conversion rate from playing to paying users of social games remains relatively low compared to more traditional games. Whereas most MMORPGs report conversion rates of 5-10%, current conversion rates for social games lie between 1-6%, with rates of 2-3% being considered “Average” and 5% or higher considered “Good”.

Exhibit 8 – Social Gaming User Monetization

Monetized Users as a % of Total	Rating
1%	Poor
2-3%	Average
4-5%	Good

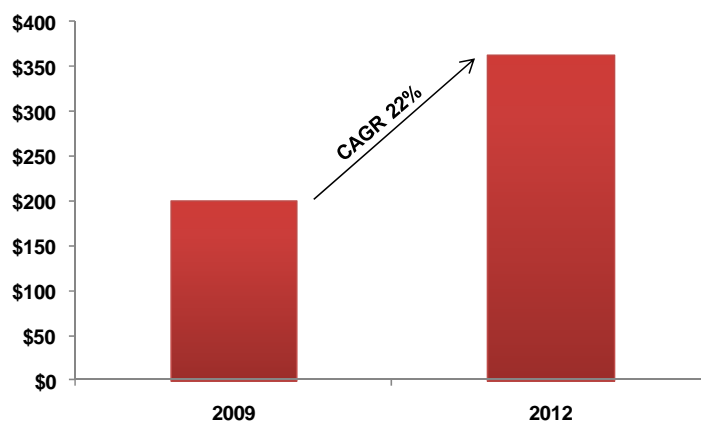
Source: GP Bullhound

We believe that the monetization curve is concentrated within the top players. Looking forward, we believe that new payment initiatives, such as Facebook credit, mobile micropayment systems, and broader availability of prepaid cards will help to boost micro-transactions rates.

Social game developers also derive a portion of revenues from lead generation schemes within their games. Lead generation advertisers, such as TrialPay, Offerpal, SuperRewards and Gambit, pay developers for the opportunity to advertise within the game. Gamers are often given in-game incentives, like virtual currency or goods, for accepting these offers / surveys. Research indicates

that the lead generation market within social games is currently worth approximately \$200 million and is estimated to grow to \$363 million in 2012.

Exhibit 9 – Social Gaming Lead Generation Growth



Source: GP Bullhound

According to research by ThinkEquity, there are currently 47 million ad-supported users within the social gaming marketplace. The same research estimates that these users are served approximately 250 billion advertisements in total over the course of a year. Advertising revenues are expected to nearly double by 2012, as the number of users and the cost per advertisement increases.

Subscribing players currently account for approximately 3% of the total social gaming population, according to research by ThinkEquity. At present time, the free-to-play model does not strongly incentivize players to adopt the subscription model. Accordingly, the proportion of subscribing users is expected to expand only marginally to 5% in 2012.

Risks

While Facebook's large market size and ease of distribution benefits social game developers, the dominant use of Facebook as *the* social gaming platform leaves developers vulnerable to systemic changes. We believe the current symbiotic relationship between Facebook and social game companies will become more and more competitive over time. For example, Zynga is expected to generate approximately \$400 – 500 million in revenues in 2010 compared to \$1 billion for Facebook. In our view, Facebook will, at some point, need to begin charging a toll or forcing social game companies to use their payment platform so they can begin sharing in the spoils of revenues generated on their platform. To offset some of these risks, developers should look to broaden their distribution strategies, by deploying games and associated goods through large-scale distribution channels.

Due in part to the rapid expansion of the industry, the demand for social game developers currently outpaces the supply of strong talent. This developer deficiency has spurred industry consolidation, as evidenced by Zynga's acquisition of Serious Business and Playdom's acquisition Lil' Green Patch.

Lead generation revenues have recently been the subject of controversial debate, as developers were criticized for “scamming” users into divulging personal information or accepting disreputable marketing offers, in exchange for in-game currency or virtual goods. Nevertheless, legitimate businesses, such as Netflix, also use the same lead generation scheme to acquire users. Despite widespread debates amongst the technology community surrounding lead generation, it is difficult to discern whether the game players themselves hold a strong opinion on the subject, and whether social games are actually losing players who have become frustrated with the scheme.

FUTURE OUTLOOK

We expect the social gaming market to continue in a strong growth trajectory in the near term. As the market expands, we anticipate further industry consolidation, mirroring that of the traditional games industry.

Market Growth

Looking forward, we believe growth drivers of the social gaming industry will be: i) Internet penetration, ii) social networking penetration, iii) gaming penetration, and iv) ARPU.

Growth in Internet penetration lays the fundamental building block for growth in the overall social gaming industry. According to Forrester, the number of Internet users is expected to increase 3% to over 280 million users globally. This equates to a global Internet penetration rate of 77%.

We expect the growth in Internet penetration to flow directly downwards to social network penetration, and for social networks to continue to penetrate existing Internet users. Accordingly, ThinkEquity predicts that by 2012, social network penetration will increase from 63% to 70%.

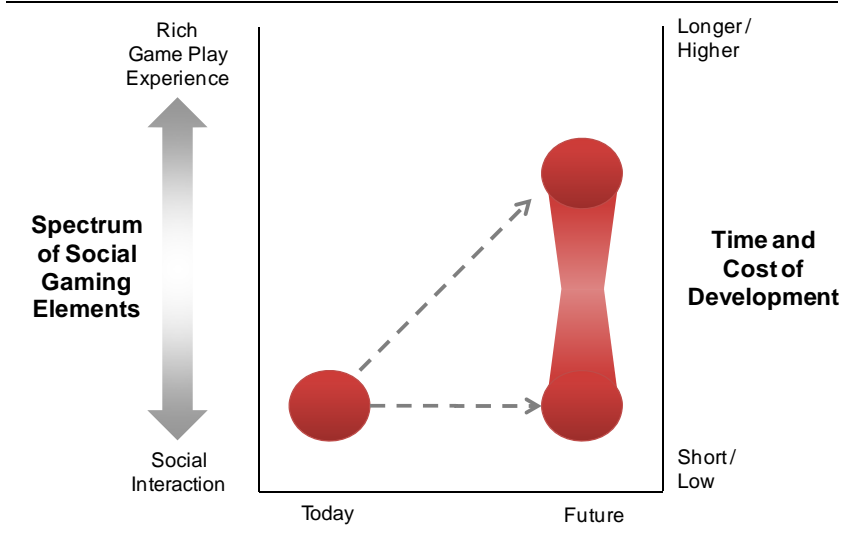
Again, we believe that social games will gain momentum with both new and existing social network users. Estimates predict that social network users will grow by 10%, or 30 million users, within the next two years.

Lastly, we believe that strong ARPU rates will contribute to growth in the social gaming marketplace. Although ARPU rates for social games currently lag behind their traditional game counterparts, we expect new payments initiatives will close the gap. Facebook is currently testing a universal payments system, which would allow users to buy credits and spend them across multiple games. A highly anticipated release, John Pleasants has equated this system to the impact of 1-Click Ordering for Amazon.

Games will Improve

With increasing competition among social game players competing for users and traffic, we expect the market to expand with richer game play experiences which cost more and take longer to develop. We see a two central social game models evolving and taking the lion's share of users and revenues i) simple games focused more around social interaction than true game play, and ii) more robust games with rich user experience and sophisticated game play elements.

Exhibit 10 – Social Gaming Lead Generation Growth



Source: GP Bullhound

Industry Consolidation

In the upcoming years, we anticipate the social gaming industry to undergo significant consolidation. Already, we have seen traditional gaming companies address social gaming needs through acquisitions, as evidenced by EA's acquisition of Playfish. Additionally, we have seen social gaming companies acquire other social gaming companies to achieve rapid growth, recruit developer talent, obtain notable game titles, or gain experience in other platforms (Facebook, Myspace, iPhone).

On a broader horizon, we expect industry consolidation within the social gaming industry to mirror the consolidation that previously occurred in today's traditional gaming marketplace. Ultimately, we anticipate the social gaming sector will be dominated by a select group of leading players, similar to the current broader gaming sector.

SECTOR VALUATIONS

Selected M&A Activity

Date	Target	Acquirer	Transaction Value (USDm)	EV / Revenue	EV / EBITDA	Target Business Description
Mar-10	Tapjoy	Offerpal Media, Inc.	-	-	-	- Develops monetization and distribution service for iPhone, Android and other mobile platforms
Feb-10	Big Six Games, Inc.	hi5 Networks, Inc.	-	-	-	- Engages in development of social games and designs a social gaming platform
Feb-10	Serious Business, Inc.	Zynga, Inc.	-	-	-	- Operates as a social gaming platform and produces online games for the users
Jan-10	Mochi Media, Inc.	Shanda Games Limited (NasdaqGS:GAME)	80	-	-	- Provides tools and services to support game developers
Nov-09	Trippert, Inc. and Green Patch, Inc.	Playdom, Inc.	-	-	-	- Offers social games through the Internet and iPhone
Nov-09	Playfish Limited	Electronic Arts	391.26	5.3x	-	- Develops and publishes video games for social networks
Sep-09	MatchMove Games Pte. Ltd.	Vickers Venture Partners	-	-	-	- Provides online game services for computer gamers in Southeast Asia by sourcing game content, operating game tournaments, enabling social gaming networks, and processing online payments
Aug-09	TwoFish, Inc.	Live Gamer, Inc.	-	-	-	- Develops data platforms that manage virtual economies for social, gaming, and entertainment markets
Apr-09	iSports, Inc.	NTN Buzztime Inc. (AMEX:NTN)	0.2	-	-	- Provides mobile social gaming solutions for iPhone and iPod Touch devices
Jan-07	eCRUSH.com, Inc.	Hearst Magazines International	-	-	-	- Operates a network of entertainment and community Websites for teens and young adults, including eSPIN-the-Bottle, a profile-based social gaming site for teens

Source: Capital IQ

Selected Private Placement Activity

Date	Target	Investors	Deal size (\$m)	Business description
Mar-10	MindJolt, Inc.	Austin Ventures	na	Operates as a game portal for social networks
Jan-10	Drimmi	Mangrove Capital Partners; ABRT Venture Fund	na	Develops and publishes social games
Jan-10	6waves Inc.	InSight Venture Partners	17.5	Develops social gaming applications on the Facebook platform
Dec-09	Zynga, Inc.	Tiger Global Management Digital Sky Technologies ; Andressen Horowitz	180.0	Operates as an online social gaming company
Dec-09	Five Minutes	DFJ DragonFund China	3.5	Develops and operates online social games
Dec-09	gWallet, Inc.	Adams Street Partners, LLC; Trinity Ventures	10.5	Operates a virtual currency platform for social media developers
Nov-09	Atakama Labs Inc.	Austral Capital	4.0	Online social gaming company
Nov-09	Playdom, Inc.	New Enterprise Associates; Norwest Venture Partners; Lightspeed Venture Partners	43.0	Operates as a social game developing company
Oct-09	PopCap Games, Inc.	MariTech Capital Partners	22.5	Develops and publishes casual and puzzle games
Sep-09	Booyah, Inc.	Kleiner, Perkins, Caufield & Byers	5.0	Online social games based on real-life achievements
Jun-09	GameRing Online Ltd.	Sequoia Capital Israel	4.1	Operates as a personalized social gaming dashboard for Web
May-09	WonderHill, Inc.	Charles River Ventures; Shasta Ventures	7.0	Designs and develops online social games to play with friends and family
Mar-09	ngmoco, Inc.	Kleiner, Perkins, Caufield & Byers; Norwest Venture; Maples Investments	10.0	Develops games and entertainment experiences for the iPhone
Jan-09	Ohai, Inc.	August Capital; Rustic Canyon Partners	6.0	Develops multi-player online games and combining with the social gaming
Jan-09	Meez, Inc.	Anthem Venture Partners	na	Offers online virtual world, avatars and games
Dec-08	Scoreloop AG	Target Partners GmbH	na	Operates as a social gaming platform for the mobile devices
Oct-08	Playfish Limited	Accel Partners; Index Ventures	17.0	Develops and publishes video games for social networks
Oct-08	Booyah, Inc.	Kleiner, Perkins, Caufield & Byers	4.5	Online social games based on real-life achievements
Sep-08	Challenge Games	Globespan Capital Partners; Sequoia Capital	10.0	Offers multiplayer Web-based fantasy games
Jul-08	ngmoco, Inc.	Kleiner, Perkins, Caufield & Byers; Maples Investments	5.6	Develops games and entertainment experiences for the iPhone
Jul-08	Zynga, Inc.	Kleiner, Perkins, Caufield & Byers; Avalon ; Union Square; Foundry GP	29.0	Operates as an online social gaming company
Jul-08	Challenge Games	Sequoia Capital	4.5	Offers multiplayer Web-based fantasy games
Jun-08	Mochi Media, Inc.	Accel Partners; Shasta Ventures	10.0	Provides tools and services to support game developers
May-08	Social Gaming Network, Inc.	Columbia Capital ; Greylock; Novak Biddle; Amdzad; The Founders Fund	15.0	Offers social gaming platform that leverages people's social connections
Apr-08	Serious Business, Inc.	Lightspeed Venture Partners	4.0	Operates as a social gaming platform
Apr-08	cooe GmbH	Aurelia Private Equity GmbH	na	3D Internet platform for social gaming application
Feb-08	Sparkplay Media, Inc.	Prism VentureWorks; Redpoint Ventures	4.3	Develops and publishes browser-based casual-ish MMOs and social games
Jan-08	Slide, Inc.	T. Rowe Price Group ; Fidelity Management & Research	50.0	Offers online application for social networking websites
Jan-08	Zynga, Inc.	Avalon Ventures; Union Square Ventures; Foundry Group	10.0	Operates as an online social gaming company
Sep-07	Emote Games Ltd.	Acuity Capital Management Ltd.	8.0	Operates as an online & social games publisher
Jun-07	BLUE LION mobile GmbH	Bertelsmann Digital Media Investments	na	Social gaming application for mobile phones
May-07	Mochi Media, Inc.	Accel Partners	4.0	Provides tools and services to support game developers
Dec-06	Bigpoint GmbH	United Internet AG Investments	8.3	Develops and operates browser-based online games
Nov-06	Slide, Inc.	Mayfield Fund; BlueRun Ventures; The Founders Fund; Khosla Ventures	8.0	Offers online application for social networking websites
Jun-06	Bigpoint GmbH	Aurelia Private Equity GmbH; European Founders Fund	na	Develops and operates browser-based online games
Aug-05	Midasplayer.com Ltd.	Apax Partners Worldwide LLP	41.6	Operates King.com , a skill gaming site
Jul-05	Bigpoint GmbH	Aurelia Private Equity GmbH	na	Develops and operates browser-based online games

Source : Capital IQ

SELECTED COMPANY PROFILES



6Waves was founded in 2008 and is headquartered in Hong Kong. The company is a leading Asian social games developer for Facebook, with 2.2 million daily active users on Facebook across 130 applications. In January 2010, 6Waves received a \$17.5 million investment from Insight Venture Partners to help consolidate Asian market share and expand into European and Latin American markets. 6Waves' notable titles include Give Hearts, Drink it up!, and Happy Hotel.



Formerly known as e-sport , the company changed its name to Bigpoint in 2007. The company was founded in 2002 and is based in Hamburg, Germany. Bigpoint develops and operates browser-based online games. It provides Bigpoint.com, an online games portal that enables community to play games and exchange ideas, make friends, set-up guest books and keep an online diary in blog form. The company is backed by APEN AG, GE Equity, GMT Communications Partners and Peacock Equity Fund.



ELEX was founded in 2005 and is headquartered in Beijing, China. ELEX operates as a joint venture between Beijing University of Aeronautics and Astronautics and a global leading venture capital institution. The company holds 3 million daily active users on Facebook, with an additional 8 million daily active users on Chinese and Russian platforms. Elex is best known for its Happy Harvest, Happy Harvest II, Casino, and Happy Pet titles



Crowstar was founded in 2008 and is headquartered in Burlingame, California, USA. Approximately 9.6 million daily average users on Facebook currently play the company's games, with 9.4 million users playing their top three games, Happy Aquarium, Happy Island, and Happy Pets. Crowstar has received less than \$100,000 in seed funding from its chairman, Peter Relan. The company currently has 20 employees, who are all focused on releasing a new Facebook game each month. Crowdstar aims to monetize through direct sales of virtual goods in its games.



Meez* operates as an online social community. It offers virtual worlds, homepages, forums, avatars and games, as well as provides an environment for users to personalize identity, connect with friends, socialize, and share media. The company operates as a subsidiary of Donnerwood Media and is based in San Francisco, California.



Mindjolt was founded in 2007 and is headquartered in Simi Valley, CA, USA. In March 2010, Myspace founders, DeWolfe, Colin Digiario, and Aber Whitcomb and Austin Ventures acquired Mindjolt from private investors. Mindjolt operates as a platform where developers can submit their games to be posted on Mindjolt.com, Facebook, Myspace, Bebo, Hi5, and Orkut. Developers, in turn, receive a cut of advertising revenues. Through its developers, Mindjolt currently generates over 3.4 million daily active users on Facebook.



Midasplayer.com*, also known as King.com, is a skill gaming site. The company provides online games, including puzzle, action, strategy, card, sports, and word games in various languages and currencies. The company was founded in 2002 and is based in London, with additional offices in Los Angeles, Stockholm, and Hamburg. King.com is backed by Apex Partners and Index Ventures.



ngmoco was founded in 2008 and is headquartered in San Francisco, CA, USA. ngmoco develops social games and entertainment for the iPhone. The company is currently supported by over \$40 million from Institutional Venture Partners, Kleiner, Perkins, Caufield & Byers, Maples Investments, and Norwest Venture Partners. ngmoco's portfolio of games includes Godfinger, We Rule, and Touch Pets.



Playdom was founded in 2008 and is headquartered in Mountain View, CA, USA. In November 2009, Playdom completed a \$43.0 million round of venture financing to facilitate acquisitions. The round was financed by Lightspeed Venture Partners, New Enterprise Associates, and Norwest Venture Partners. In November 2009, Playdom also acquired Trippert, Inc. and Little Green Patch, Inc., for an undisclosed amount. Trippert is an iPhone and social game developer. Lil' Green Patch offers social games through

the Internet, and is best known for its game, Lil' Green Patch. Playdom's key products include games, such as Overdrive, Sorority Life, and Poker Palace, which can be played on Facebook, Myspace, and iPhone.



Playfish was founded in 2007 and is headquartered in London, the United Kingdom. In November 2009, Playfish was acquired by Electronic Arts for over \$391 million, of which approximately \$100 million consisted of possible earnouts. Playfish designs games for Facebook, MySpace, Bebo, Yahoo!, iPhone, and iPod touch. Key games include Pet Society, Restaurant City, and Country Story.



PopCap Games was founded in 2000 and is headquartered in Seattle, Washington, USA. The company designs games for social networks, mobile phones, game consoles, and in-flight entertainment systems. In October 2009, PopCap received \$22.5 million of funding from MeriTech Capital Partners.

PopCap currently generates 3.1 million daily active users through its two Facebook games: Zuma and Bejeweled Blitz.



Netpikle operates RockYou!, which was founded in 2006 and is headquartered in Redwood City, CA, USA. The company currently generates 3.8 million daily active users on Facebook, across 18 games. RockYou!'s leading games include Hug Me, PetrolHead, and Birthday Cards. The company is currently funded by \$119.4 million of capital from Doll Capital Management, First Round Capital, Hercules Technology Growth Capital, Inc. (NasdaqGS:HTGC), Lightspeed Venture Partners, Partech International, Sequoia Capital, SKT Ventures, and SoftBank Capital.



Slide was founded in 2005 and is headquartered in San Francisco, California. The company offers online applications for social networking websites. Slide's website provides slideshow, image and video personalization, guestbook, and virtual gift applications for social networks including Facebook, MySpace, Bebo, Friendster, Hi5, and Orkut. Slide is backed by BlueRun Ventures, Fidelity Management & Research Company, Khosla Ventures, Mayfield Fund, T. Rowe Price Group and The Founders Fund.



Stillfront develops browser-based gaming services on the Internet. It creates Fan Immersion Games (FIG) for global online community and generates additional revenue streams for digital properties. Stillfront is based in Uppsala, Sweden and backed by Deseven AB



WonderHill designs and develops online social games to play with friends and family. It offer games such as Fairy rescue, The Solitaire and Aquarium life fully integrated with social networks such as Facebook and Myspace. The company was founded in 2008 and is based in San Francisco, California. WonderHill is backed by Charles River Ventures and Shasta Ventures.



Zynga was founded in 2007 and is headquartered in San Francisco, CA, USA. Zynga has grown dramatically over the last year, increasing headcount from 156 to 561 full-time employees, reflecting growth in headcount of 260 percent. In November 2009, Zynga reached 100 million unique visitors per month. Zynga has raised approximately \$220 million in funding to date. Most recently, in December 2009, Zynga completed a \$180 million round of funding, provided by Andreessen Horowitz, Digital Sky Technologies Limited, Institutional Venture Partners, and Tiger Global Management LLC. In February 2010, Zynga acquired its neighbor social game developer, Serious Business, whose platform included Friends for Sale and Happy Hour. Zynga develops games for most social networks and the iPhone. The Company's key products include Mafia Wars, FarmVille, and Vampires.

Analyst Profiles

GP Bullhound is a research centric investment bank headquartered in London with offices in San Francisco.



Alec Dafferner – Alec is a Partner and Head of GP Bullhound's San Francisco office. With over twelve years of technology investment banking experience, Alec has executed over 45 transactions for emerging growth companies in the U.S. and abroad, raising over \$10 billion in capital and advising on over \$2.5 billion in mergers and acquisitions. Prior to joining GP Bullhound, Alec was an Executive Director at UBS Investment Bank.



Justine Chan – Justine is an analyst at GP Bullhound. She previously worked as an M&A analyst at Harris Williams & Co., where she worked on U.S. and cross-border transactions across a number of industrial and retail sectors. Justine holds a B.S. in International Finance from the University of California, Berkeley.



Remy Valette – Prior to GP Bullhound, Remy worked as an M&A analyst at Societe Generale covering a number of industrial sectors. He holds a Masters in Corporate Finance from EM Lyon Business School and also a Master in Applied Physics from Paris VII University.

Disclaimer: Information contained in the document does not constitute an offer to buy or sell or the solicitation of any offer to buy or sell any securities. This document is made available for general information purposes only and is intended for institutional investors who have a high degree of financial sophistication and knowledge. This document and any of the products and information contained herein are not intended for the use of private investors. Although all reasonable care has been taken to ensure that the information contained in this document is accurate and current, no representation or warranty, express or implied, is made by GP Bullhound Ltd. as to its accuracy, completeness and currency. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from the results described in the forward-looking statements. In particular, but without limiting the preceding sentences, you should be aware that statements of fact or opinion made, may not be up-to-date or may not represent the current opinion (whether public or confidential) of GP Bullhound Ltd. In addition, opinions and estimates are subject to change without notice. This report does not constitute a specific investment recommendation or advice upon which you should rely based upon, or irrespective of, your personal circumstances. Use of this document is not a substitute for obtaining proper investment advice from an authorized investment professional. Potential investors are therefore urged to consult their own authorized investment professional before entering into any investment agreement. Past performance of securities is not necessarily a guide to future performance and the value of securities may fall as well as rise. In particular, investments in the technology sector can involve a high degree of risk and investors may not get back the full amount invested. GP Bullhound Ltd. is authorised and regulated by the Financial Services Authority in the United Kingdom and is registered in England & Wales No. 381 4857

** GP Bullhound is currently representing or has represented in the past 24 months the following companies or their shareholders listed in this report: Meez and King.com*

GP Bullhound Ltd, 52 Jermyn Street, London, SW1X 6LX
<http://www.gpbullhound.com>, info@gpbullhound.com, +44 20 7101 7560