



ATTACKION

Siggi Koegl

Funding Models for AAA Game Productions

Virtual Worlds Camp 2009 - Berlin

- 3rd. Party Executive Producer for the global Games Industry -

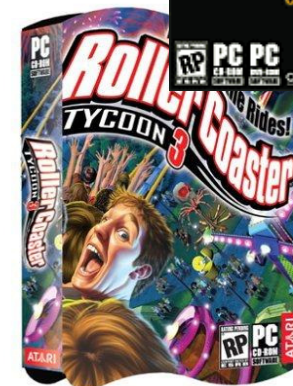
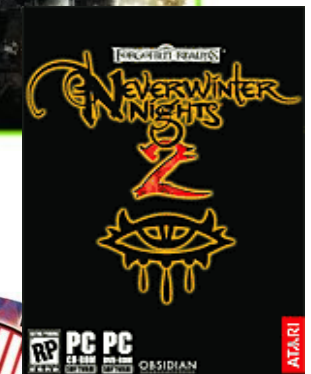


ATTACTION

... ABOUT ATTACTION ...

ATTACTION was founded 2001 in Munich. The company is acting as the first independent Executive Producer in the global games industry and builds a bridge between videogame companies, license owners and media financiers.

ATTACTION is the first company in Germany having successfully adopted the tax-sheltering film fund model for game productions. ATTACTION has entered into cooperation with Munich-based fundraiser BVT (www.bvt.de) and has set up in 2007 its fifth game fund which is mainly distributed by German retail banks.

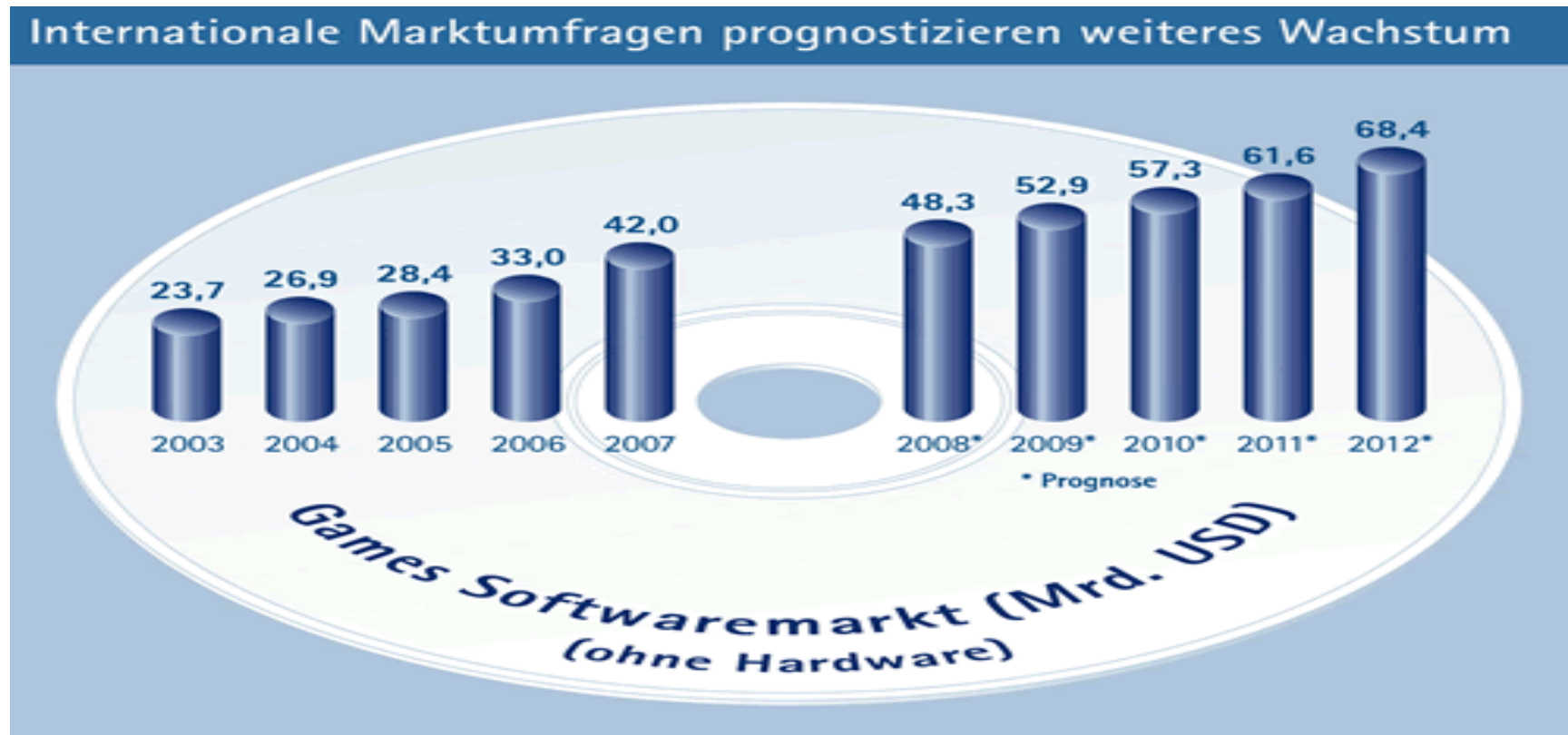


Through the company's expertise, network and partners, ATTACTION provides the full range of services for founding und structuring public funds, private placements, M&A investments and other opportunities in the global game and entertainment industry.



...
INTERNATIONAL MARKET GROWTH
...

PriceWaterhouse Coopers forecasts an average market growth of more than 10% until 2012.



Source: PriceWaterhouseCoopers



Global Publisher

Hollywood and Media Trusts are on the way!

- ACTIVISION (US)
- ATARI (US/F)
- CAPCOM (J)
- CODEMASTERS (GB)
- **DISNEY (US)**
- EA-ELECTRONIC ARTS (US)
- EIDOS/SCI (GB)
- KONAMI (US/J)
- **LUCAS ARTS (US)**
- MICROSOFT (US)
- MIDWAY (US)
- NAMCO (J)
- NINTENDO (J)
- Bandai (J)
- SEGA (US/J)
- **SONY (US/GB/J)**
- SQUARE / ENIX (J)
- TAKE 2 (UA)
- THQ (UA)
- UBI SOFT (F)
- **WARNER Bros. (US)**



Industry Problems

- Consolidation in the Publisher Market
- AAA vs. Budget (increasing dev. costs vs. inflation)
- Top Publishers count on franchises/sequels
- Lack of funding for fresh original content
- High market barriers for new ideas/teams
- Industry in danger of becoming stale
- Independent production financing is not available



Example: Increasing Dev. Costs

For AAA-Titles:	15 yrs ago	Yesterday	Today
Concept	€ 5 k	€ 25 k	€ 100 k
Prototype	€ 20 k	€ 500 k	€ 2 ml
Production	€ 1 ml	€ 5-10 ml	€ 10-30 ml
Back-end Royalties	Common	Rarer	€ 0



Typical Production Costs

Mobile Phone Game	€ 150.000
Mobile Handheld Game	€ 1.000.000
PC Game	€ 5.000.000
PS2/X-Box Game	€ 7.000,000
Next Generation (PS3/360)	€ 14,000,000
MMOG (excl. Ongoing Costs)	€ 20,000,000



Funding Models

- 1. Traditional Funding Model (Seed)**
- 2. Traditional Funding Model (Publisher)**
- 3. New Funding Model (3rd Party Production Funding)**



1. Traditional Funding Model (Seed)

FFF - The best advice for seed financing!

- Family
- Friends
- Fools

Any other financing model is too expensive for beginners!



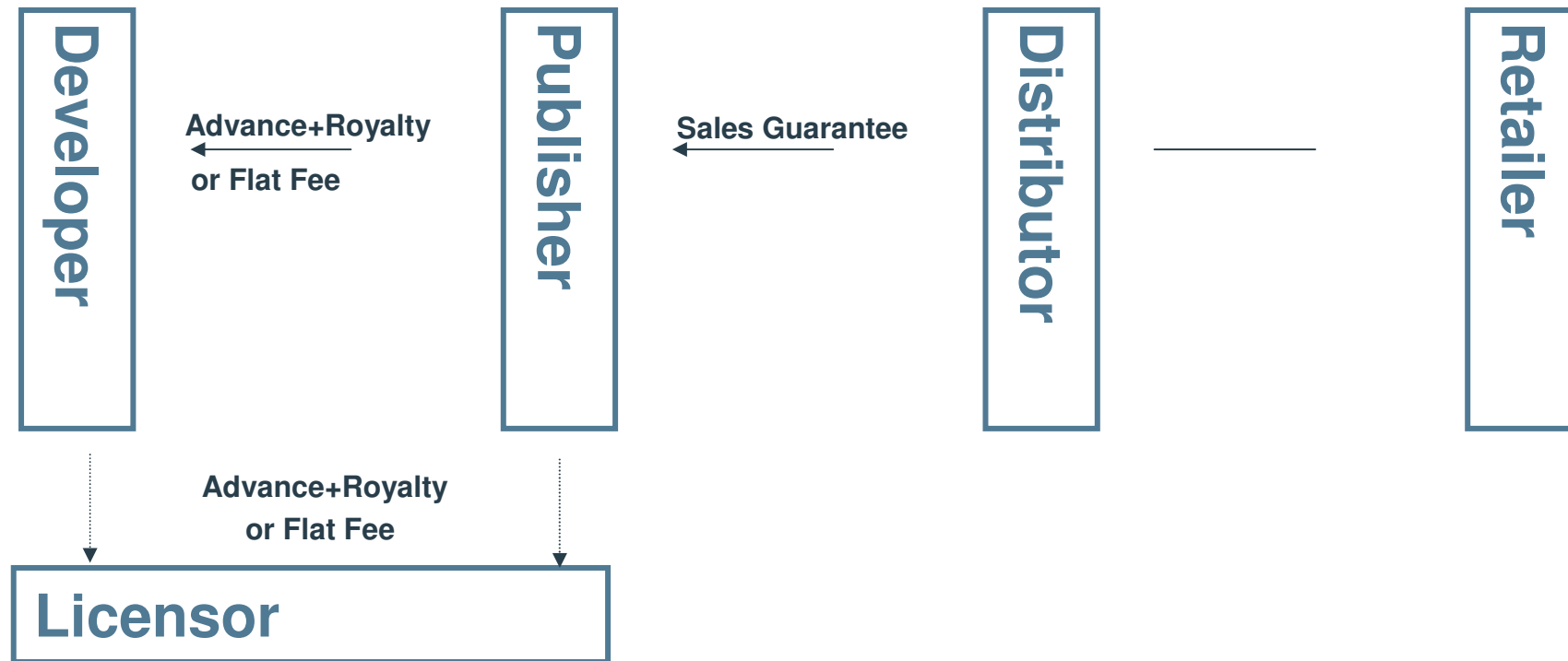
2. Traditional Funding Model (Publisher)

- Publishers have cash, developers don't
- Publisher funds prototypes
- Publisher pays royalty advances to developer
- Amount of advance is based on cost excluding some overheads and profit
- Slippage/Cost over-runs
- Developer gets back-end royalties – **MAYBE!**



2. Traditional Funding Model (Publisher)

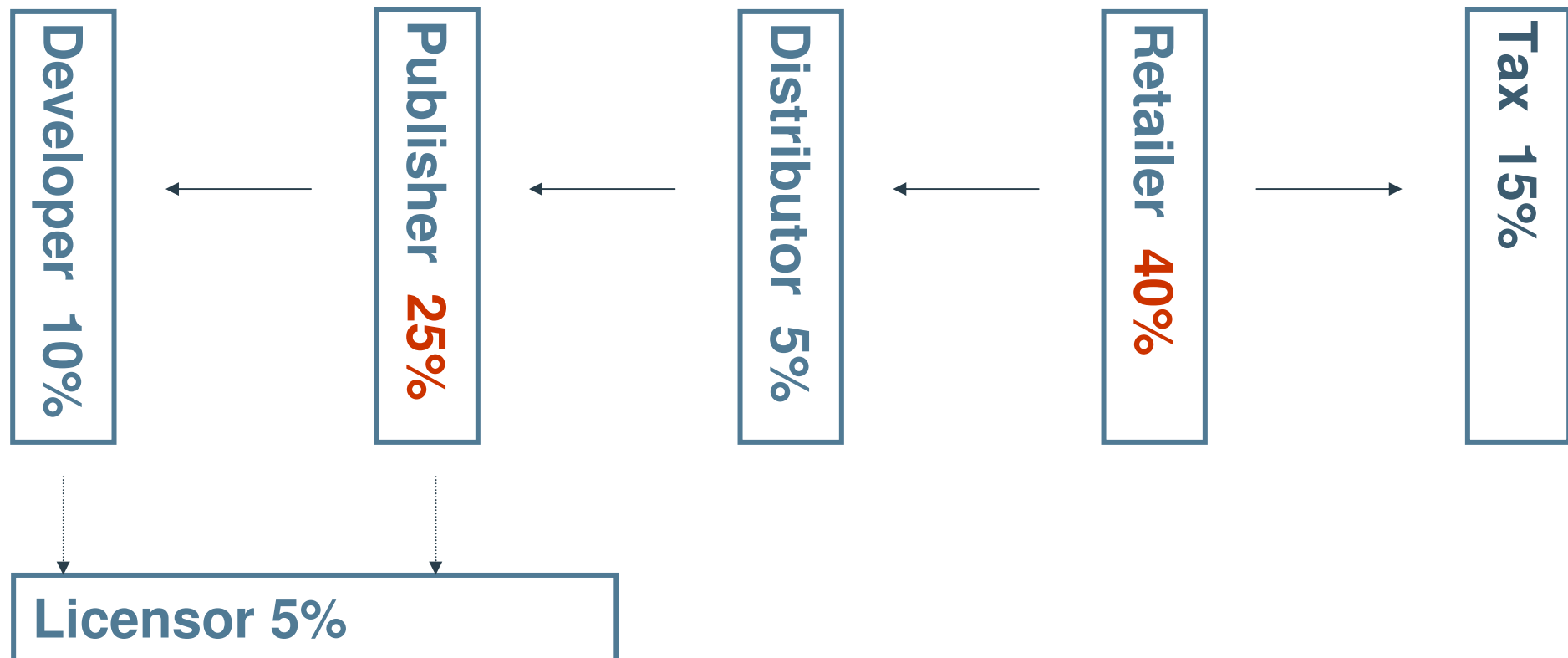
Where we are:





2. Traditional Funding Model (Publisher)

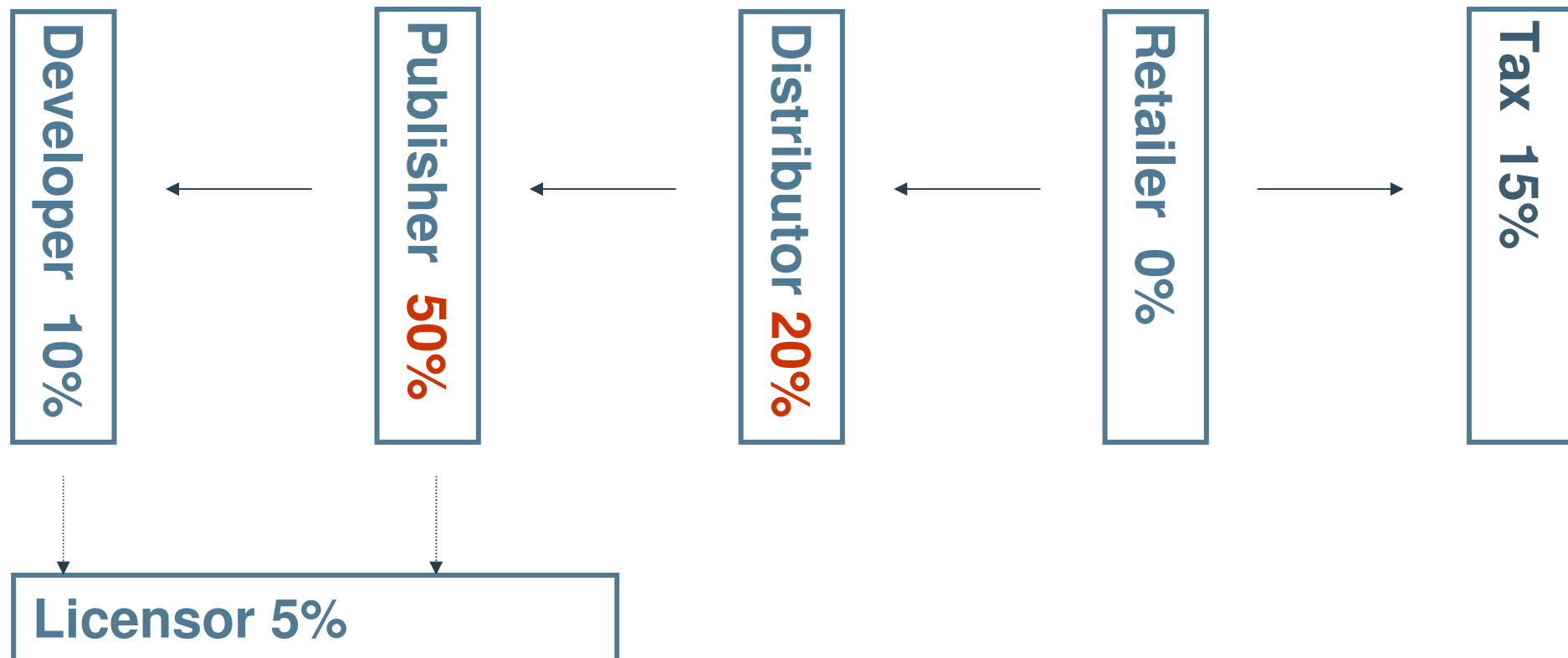
Value-Added Chain of Offline Games (where the revenue goes!)





2. Traditional Funding Model (Publisher)

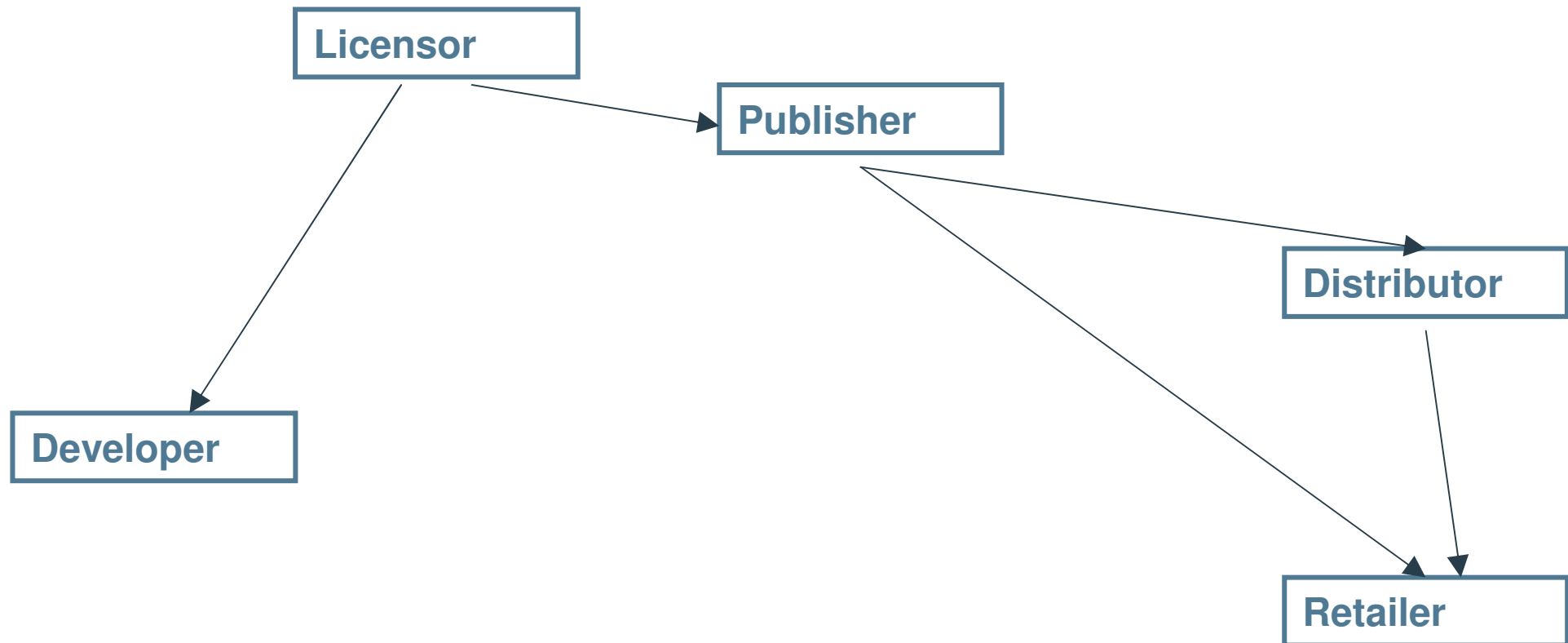
Value-Added Chain of Online Games (where the revenue goes!)





2. Traditional Funding Model (Publisher)

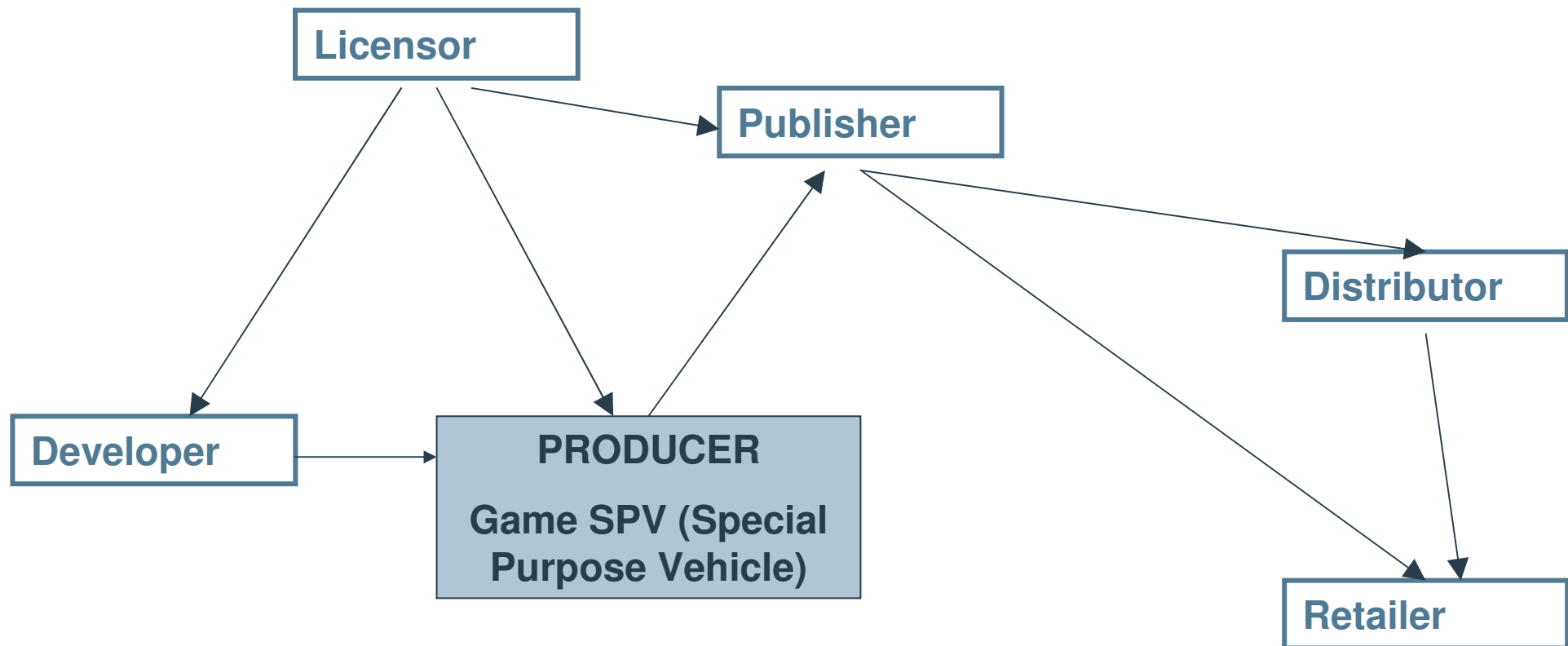
Easy Old World:





3. New Funding Model (3rd Party Production Funding)

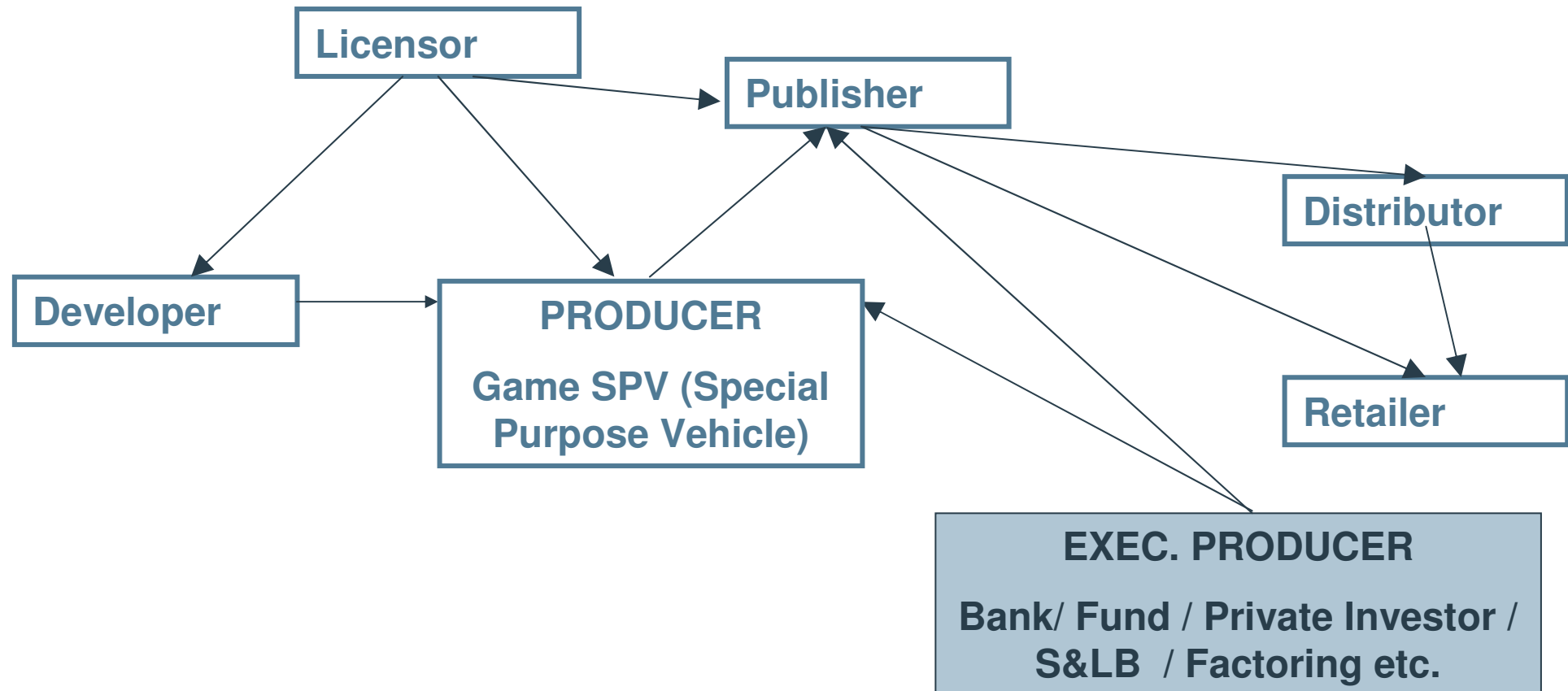
Brave New World 1:





3. New Funding Model (3rd Party Production Funding)

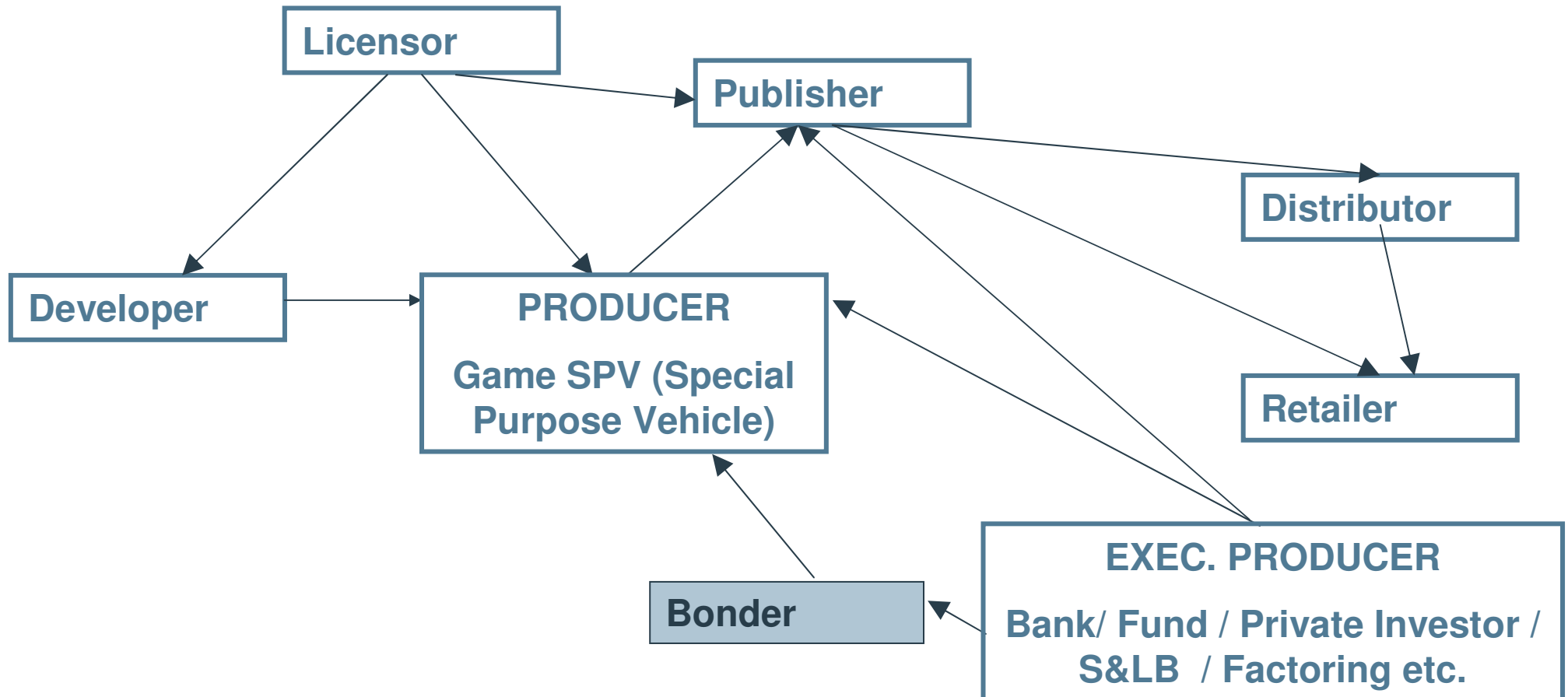
Brave New World 2:





3. New Funding Model (3rd Party Production Funding)

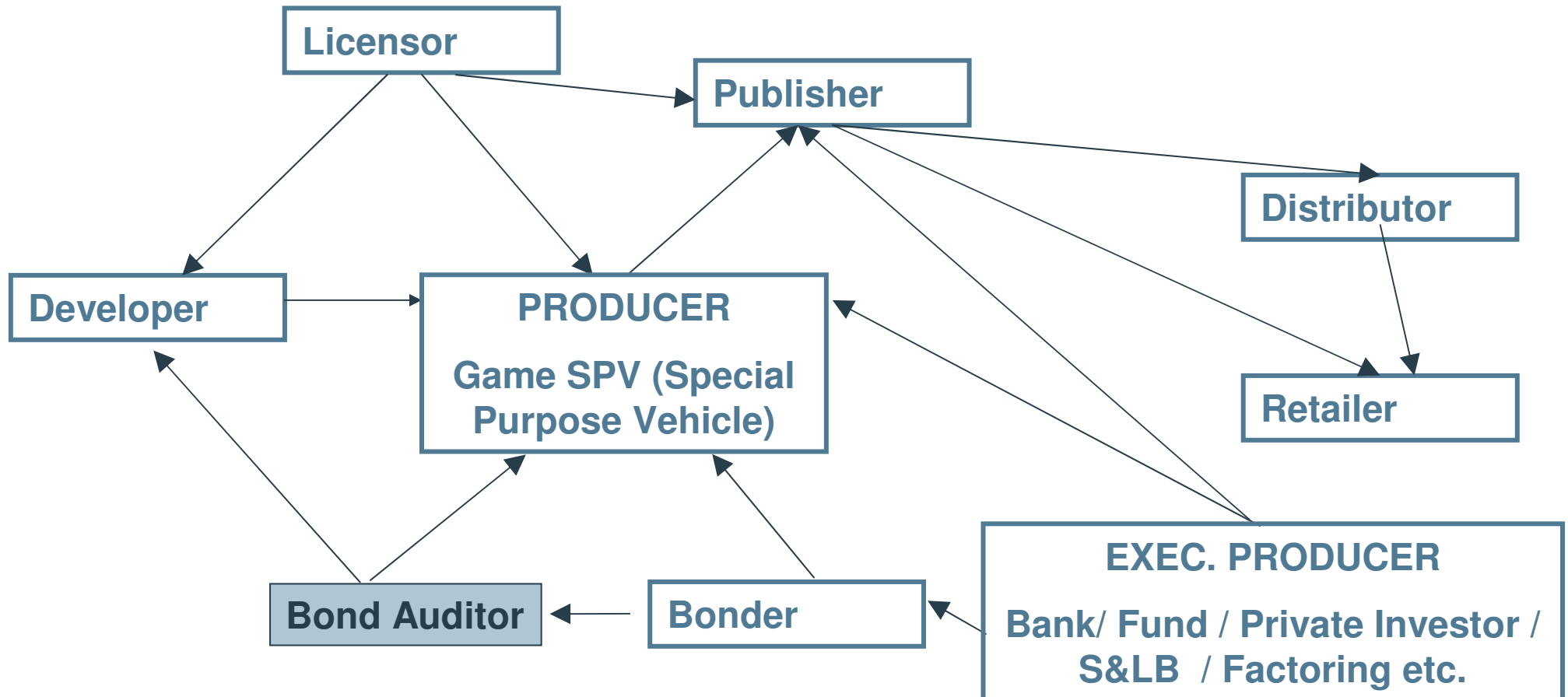
Brave New World 3:





3. New Funding Model (3rd Party Production Funding)

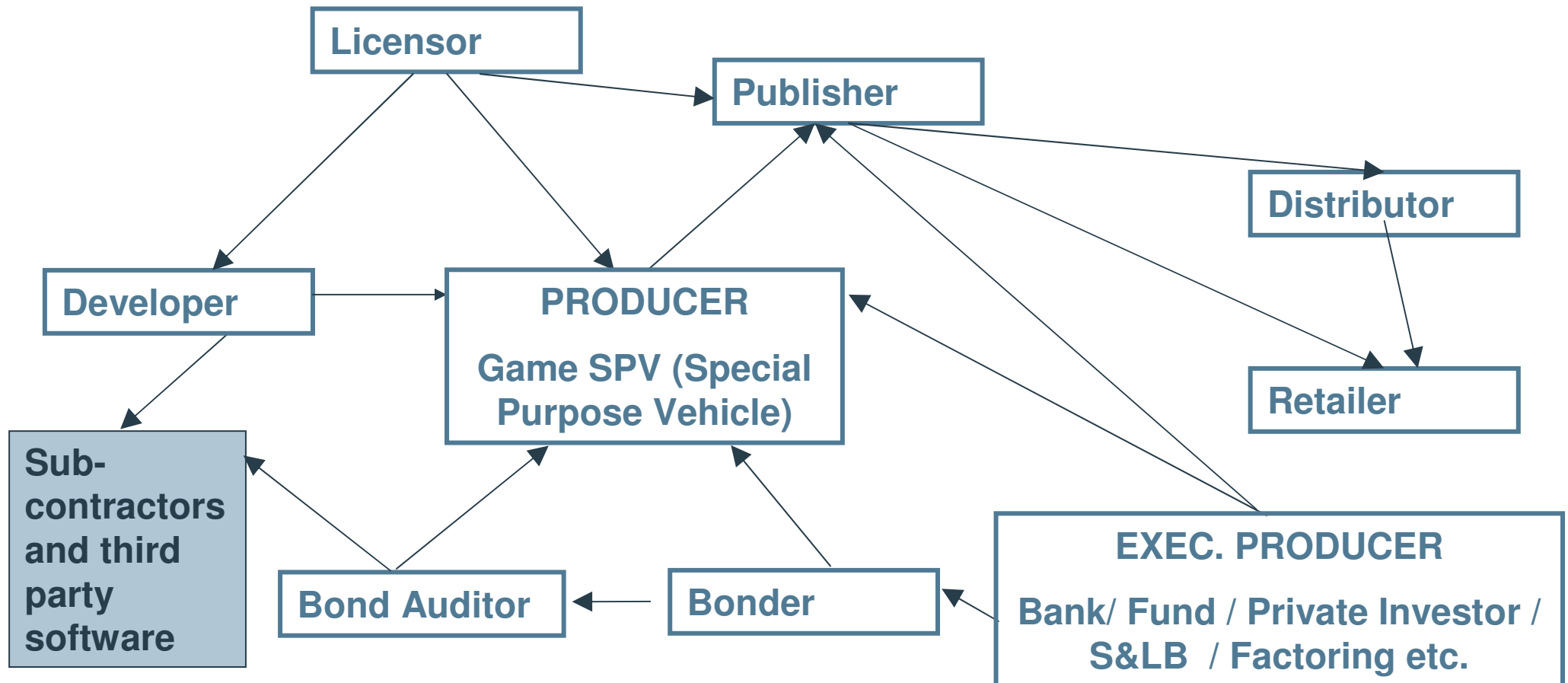
Brave New World 4:





3. New Funding Model (3rd Party Production Funding)

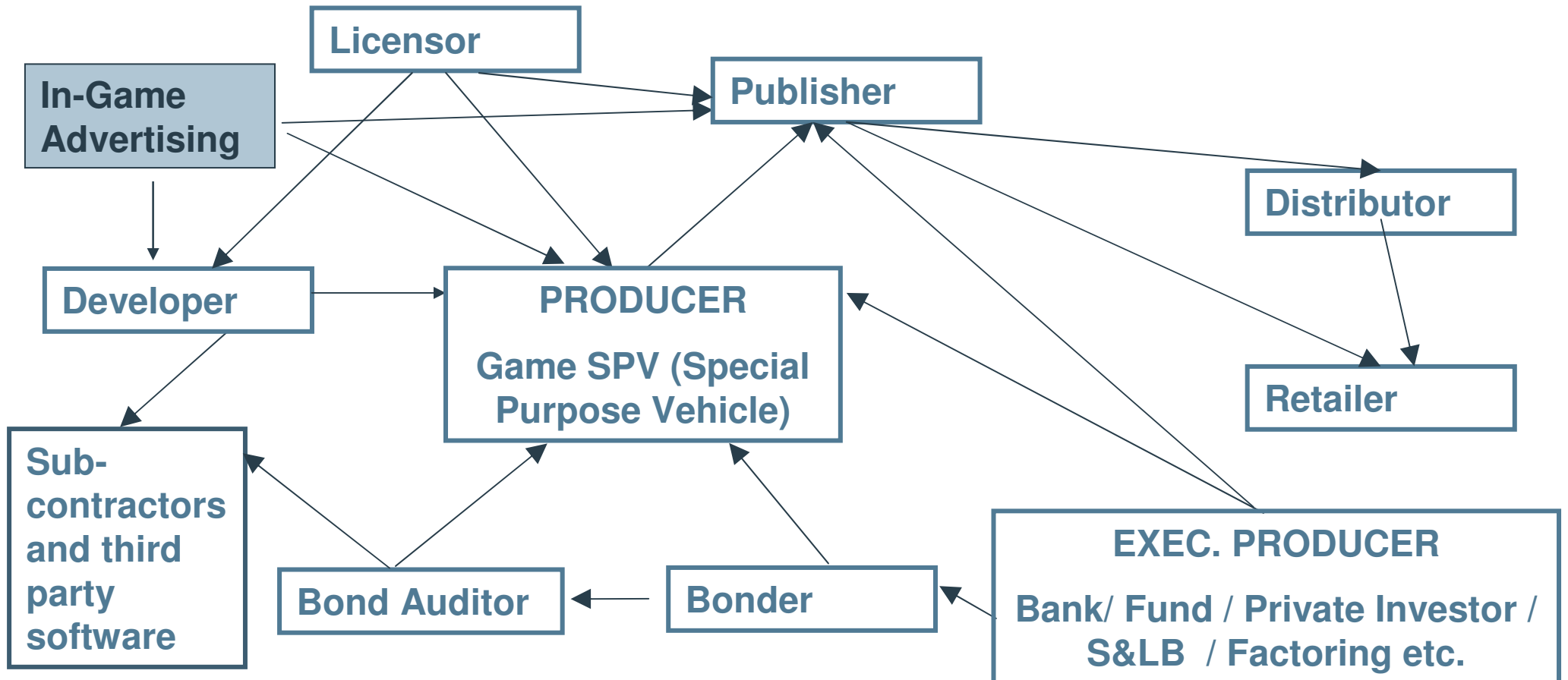
Brave New World 5:





3. New Funding Model (3rd Party Production Funding)

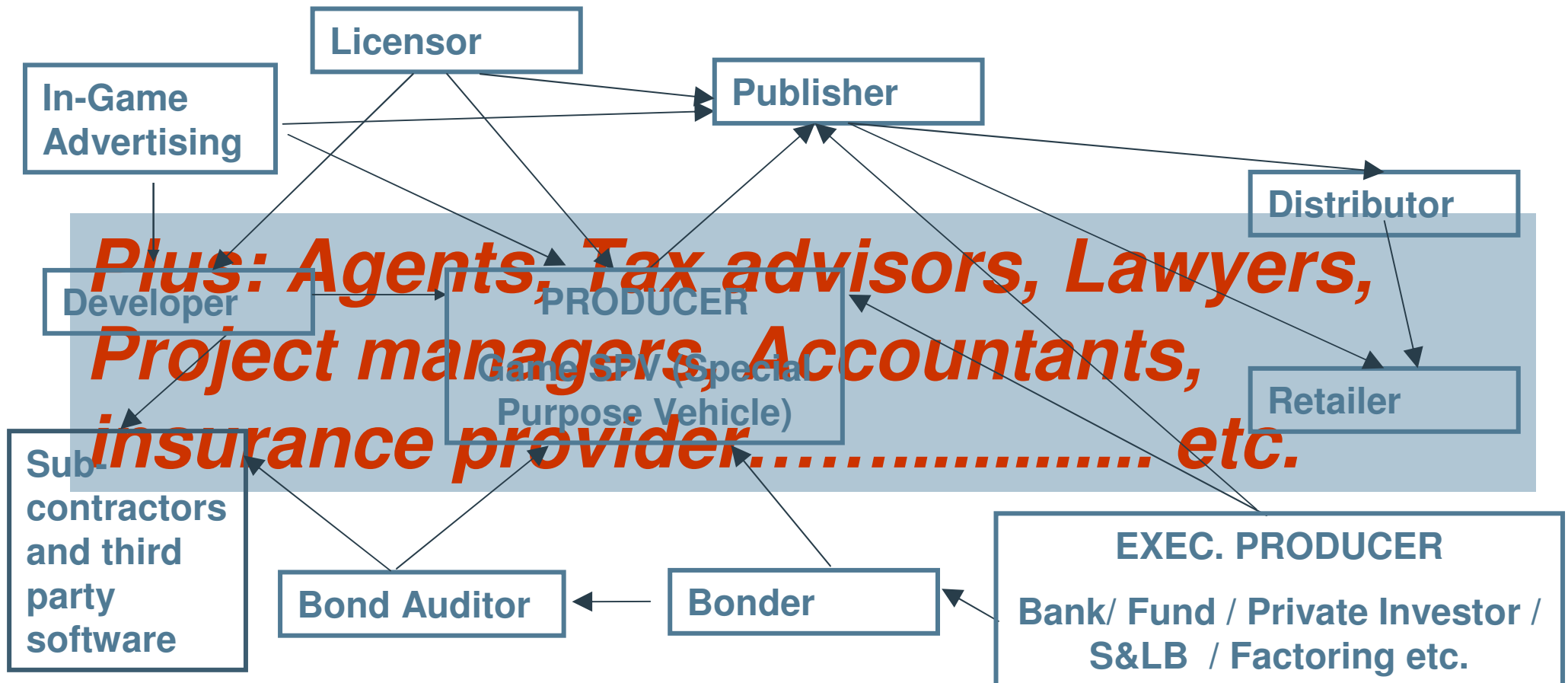
Brave New World 6:





3. New Funding Model (3rd Party Production Funding)

Brave New World 7:





3. New Funding Model (3rd Party Production Funding)

Requirements:

- Highest possible MG to be paid one year after completion guarantees strong marketing/distribution
- Upside potential for the investors
- International approach, 500k units plus
- Good products, good developers, strong distributors



3. New Funding Model (3rd Party Production Funding)

Disadvantages:

- Due diligence & auditing by an auditing team of a completion bond insurance company (paperwork)
- Legal due diligence by Law Firms (more paperwork)
- Early project evaluation by the Exec. Producer and investors (much more paperwork etc.)



**It isn't simple! But if it would be simple,
everybody would do it!** (German saying)



3. New Funding Model (3rd Party Production Funding)

Advantages:

- IP goes back to the original owner
- External instance opinion (consulting for free)
- Financial stability, budget stays on dedicated account
- Risk Capital without selling any share or IP
- Turning publishing deals to distribution deals

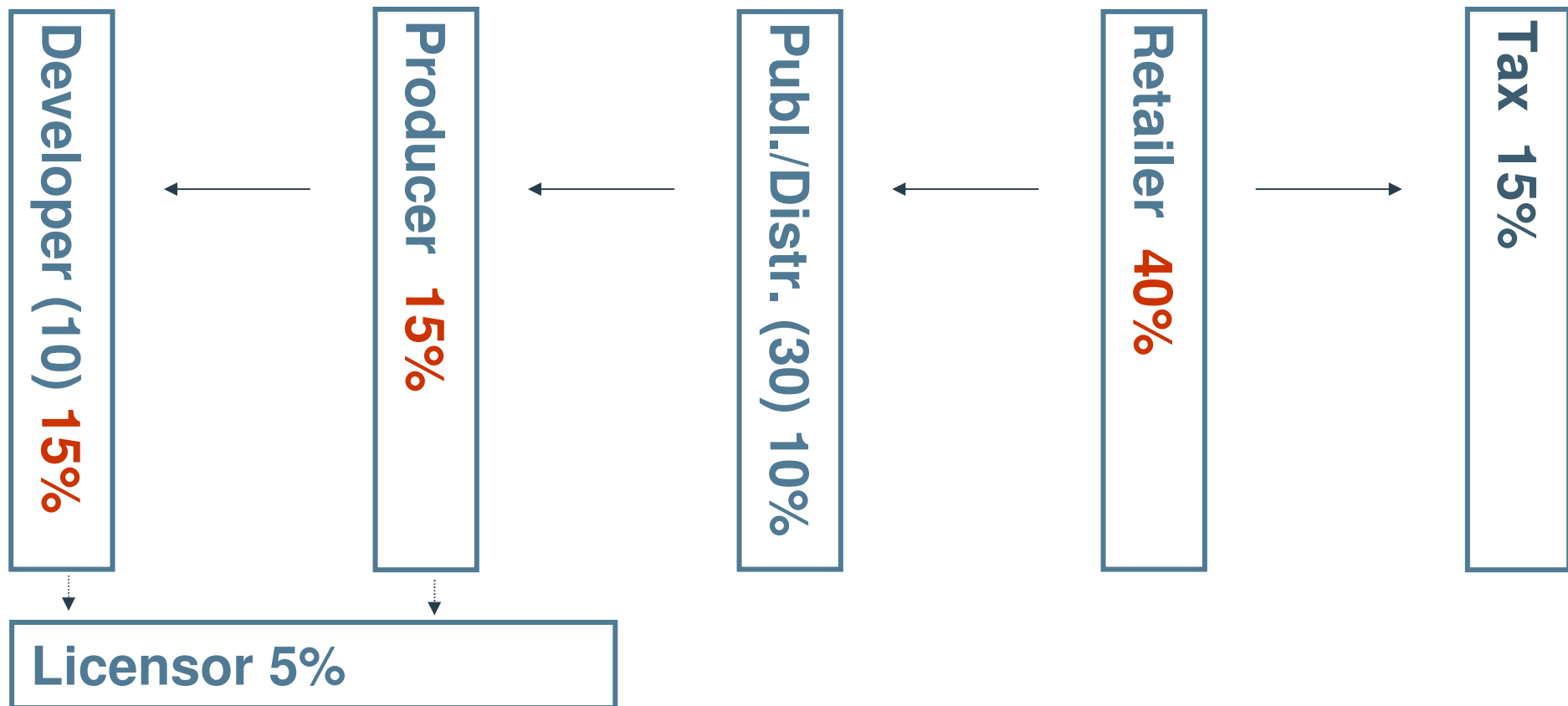
(80/20 to 20/80)

→ Today you are a Developer. Tomorrow you are a Producer!



3. New Funding Model (3rd Party Production Funding)

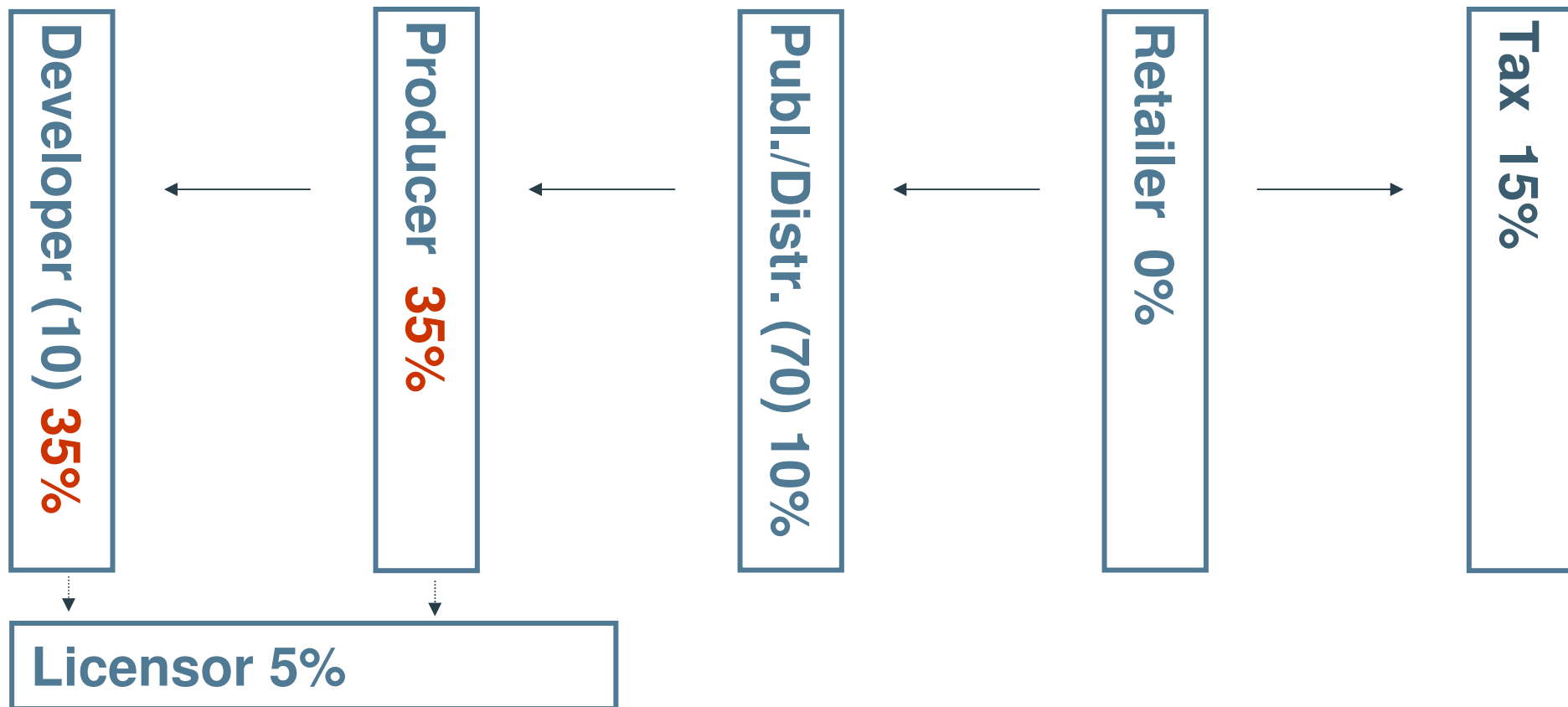
Result (Value-Added Chain of Offline Games) :





3. New Funding Model (3rd Party Production Funding)

Result (Value-Added Chain of Online Games) :





ATTACTION

Questions?

Siggi Kögl

siggi.koegl@attaction.com