

Latin America Case Studies and Market Overview

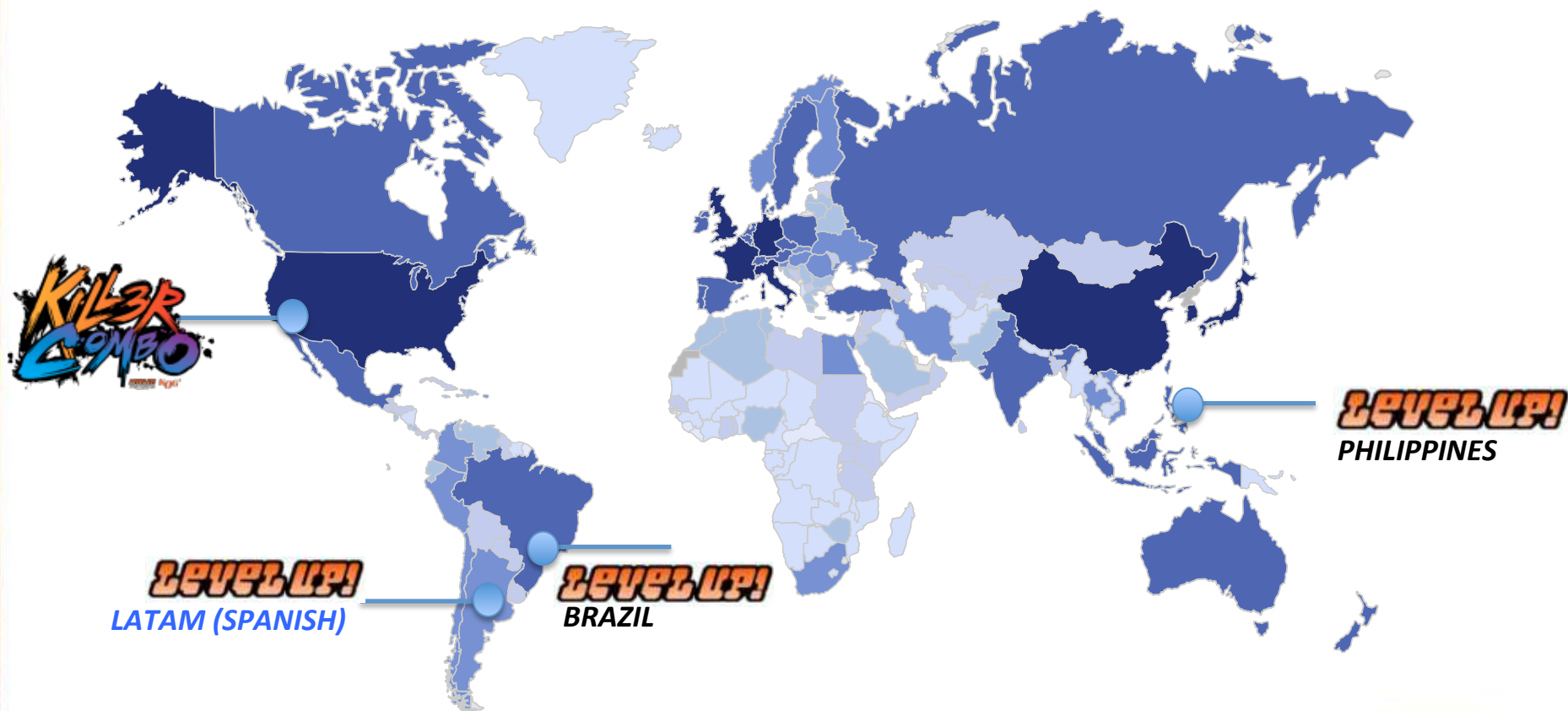
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GDC¹¹
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WHAT IS LEVEL UP?



- Leading online game publisher and first-mover in the Philippines and Brazil, with a Joint Venture in North America with KOG Studios from Korea.
- We not develop games, but focus on their delivery, marketing, and operation
- Localized brand, platform and operations in every market

WHAT DOES IT MEAN TO BE THE FIRST MOVER?

Brazilian Environment in 2003

Brazilian Real (R\$)	2.3 Reais to 1USD
Internet Users	20 million
Population	180 million
Broadband Homes	1 million
E-Commerce	US\$ 4 billion
GDP per capita	US\$ 7,600
Companies with Focus on MMO publishing	2 Companies (Including Level Up)
Future Prospects	Uncertain; Coming off weak economy, with incoming government anticipated to be non-business friendly

Brazilian Environment in 2011

Brazilian Real (R\$)	1.8 Reais to 1USD
Internet Users	85 million
Population	199 million
Broadband Homes	19 million
E-Commerce	US\$ 11.5 billion
GDP per capita	US\$ 12,423
Companies with Focus on MMO publishing	13 Companies (Including Level Up)
Future Prospects	Good economic momentum; Highly anticipated: World Cup 2014 Olympics 2016

FIRST MOVER CHALLENGES

CONTENT ☐ Cultural relevance and acceptance



INFRASTRUCTURE

- ☐ Underdeveloped, need for local hosting
- ☐ Expensive due to lack of scale



DISTRIBUTION

- ☐ Expensive and underdeveloped
- ☐ Creation of new model



EDUCATION

- ☐ Newness of product, fulfillment and purchase behavior



LOCALIZATION

- ☐ Understanding value and pricing
- ☐ Local community management



CUSTOMER SUPPORT

- ☐ Value and customer satisfaction
- ☐ Local Consumer Protection Laws



BRAZIL CURRENT ENVIRONMENT

POSITIVE PROSPECT FOR FUTURE GROWTH

- ❑ 15.2 mn broadband subscribers (~6.3% of population) with good growth; however local speeds still a challenge for games
- ❑ Primarily a home market with a small internet café based business (est 2,000 game ready)
- ❑ High ARPUS - \$21 for casual MMOs, up to \$41 for MMORPGs

HIGH OPERATING COSTS

- ❑ Taxes/benefits on salaries can range from an additional 50% to 100% cost
- ❑ Bandwidth market rate of US\$ 100 per MB
- ❑ Hardware costs can range from an additional 50% to 100%
- ❑ Distribution commissions can be high at retail

LEGAL REQUIREMENTS

- ❑ Local Consumer Protection Laws allow for immediate action in favor of the players, with the burden on the Publisher to provide material evidence
- ❑ There is a local Ratings board, however in the past, unilateral decisions by local governments system have banned the sale of Counter Strike and Everquest

PAYMENT AND DISTRIBUTION - BRAZIL

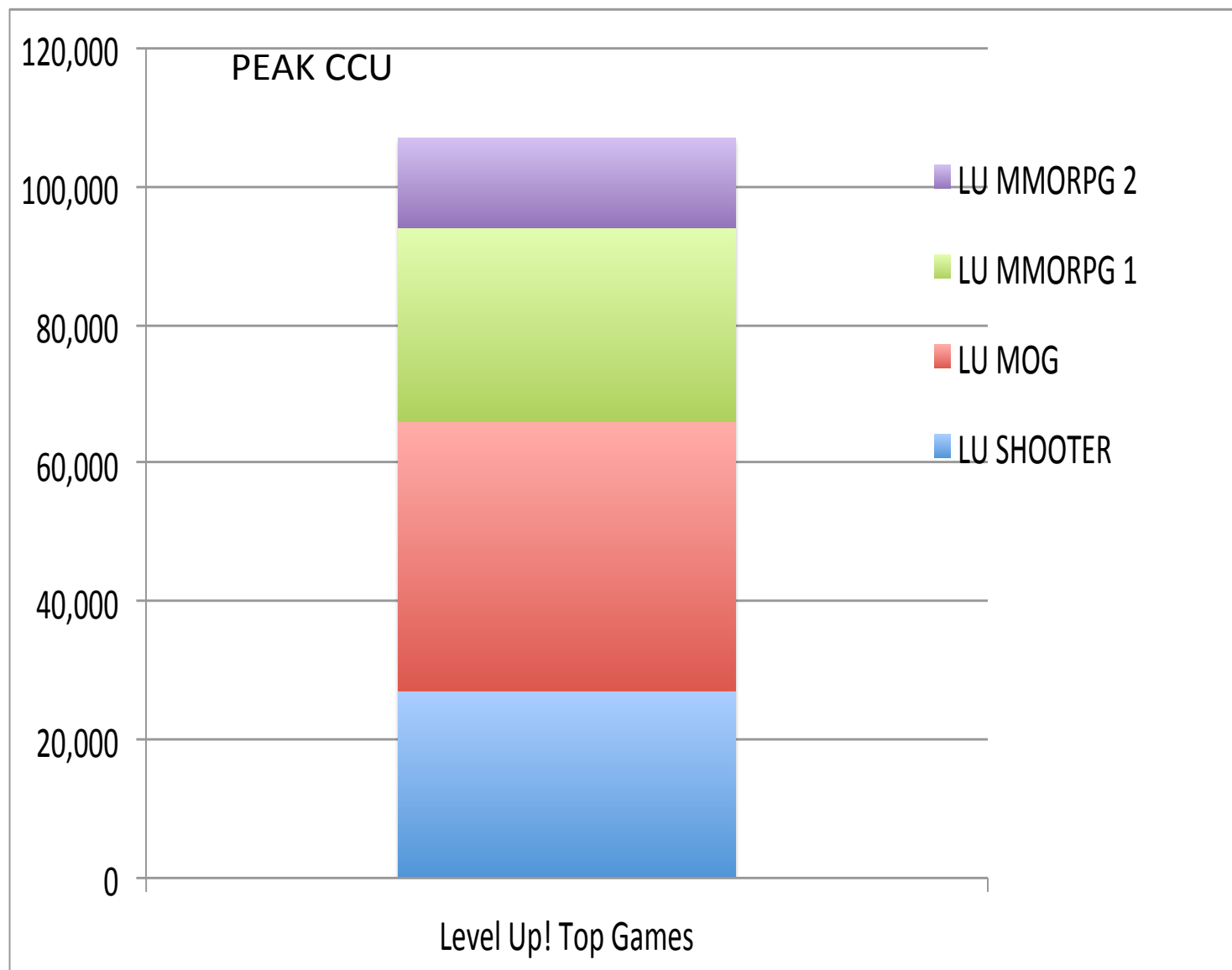


MARKET DEVELOPMENT - BRAZIL



Online

FIRST MOVER ADVANTAGES - BRAZIL



LOOKING FORWARD IN THE REGION

2011e	Argentina	Chile	Colombia	Mexico	Peru
Population (mn)	41	17	46	110	30
Nominal GDP (USD bn)	457	231	308	1,167	168
Nominal GDP per Capita (USD)	11,169	13,294	6,685	10,638	5,593
PPP Adj. GDP per Capita (USD)	16,832	15,866	9,998	15,114	9,985
Internet Users (mn)	27	9	22	40	10
Broadband Households (mn)	5	2	3	13	2
E-Commerce (USD mn)	1,473	831	321	1,321	500

2011e	Total	Brazil	Vs. Brazil
Population (mn)	244	199	22%
Nominal GDP (USD bn)	2,331	2,422	-4%
Nominal GDP per Capita (USD)	9,550	12,423	-23%
PPP Adj. GDP per Capita (USD)	N/A	11,767	N/A
Internet Users (mn)	108	85	27%
Broadband Households (mn)	24	19	30%
E-Commerce (USD mn)	4,445	12,029	-63%

- The region's combined populations, internet users and broadband households: **strong growth opportunity for the MMO business**
- Brazil will continue to figure prominently in the region
 - Single Territory
 - Established Middle Class
 - Stable Economy

Sources: Pyramid, PWC, Euromonitor, BMI, DC, E-Bit

DISCUSSION/QUESTIONS