



Big media's games push turns up heat on pure-play publishers

London 11th February 2010: Five of the world's largest media companies have spent over \$3bn gaining a foothold in the games market over the last five years according to Screen Digest's latest report 'Big Media Investment in Games: The Competitive Challenge'.

Disney, Warner Bros, Viacom, News Corp. and NBC Universal are amongst the key players looking to build a share of this lucrative marketplace, each with contrasting strategies. Ben Keen, Chief Analyst says "Screen Digest believes that Disney and Warner Bros. are well positioned to break into the global top 10 of boxed games publishers by 2013 and, alongside Viacom, pose a serious competitive threat to pure-play games publishers."

Disney has adopted a sophisticated long-term approach focused on generating more control and profit. Despite growing sales 566% between 2004 and 2008, financially the company's games operation has been break-even or loss making, but Screen Digest believes this is part of a longer term strategy to gain market share. With its sizeable library of entertainment intellectual property, bolstered by the acquisition of Marvel Entertainment, Screen Digest believes Disney is a company capable of competing with the largest dedicated games publishers.

Warner Bros. (WB) has a strategy of reducing external licensing whilst exploiting its own properties, such as Batman and Lord of the Rings, from its studio business and DC Comics and leveraging its distribution network. The company has invested heavily in development and publishing of PC, console and handheld games. According to WB, the company expected to generate over \$500m from its games activities in 2009 and the report suggests that the company's own target of becoming a \$1bn games business by 2013 is achievable.

Viacom acquired five diverse games companies between June 2005 and November 2006. When these deals are finalised, and earn-outs completed, the total cost will top \$937m. Screen Digest believes that whilst Viacom may have overpaid for the acquisitions, they provide a strong base for the company to develop a games business. The size of the investment suggests a long-term commitment to the market, and an intention to take a large share of it.

News Corp. acquired web editorial business IGN Entertainment and mobile entertainment company Jamba in 2005 and 2006, giving it limited exposure to the highest growth sections of the games market. However its absence from the boxed or online games markets suggests the need to make an acquisition in the sector if it is to benefit from the booming games industry.

In comparison to the above players **NBC Universal** has the least developed games strategy and currently has limited direct impact on the sector. Whilst its strategy is primarily licensing based, the company has recently begun to self-finance some development including two boxed product games.

The report points out that **European media companies** lag behind their US counterparts, with none making more than \$20m from the sector. Noteworthy for their ambitious and progressive approach however are German media giants Axel Springer and Hubert Burda Media. Despite being the original publisher of the legendary Grand Theft Auto, Bertelsmann's current activities are limited to

licensing games web sites and regional boxed products. Screen Digest expects activity to be renewed through RTL Group and FremantleMedia. Similarly, a number of other European media companies are ramping up their games sector involvement and investment, including Endemol, ITV, BBC and Channel 4.

Nick Gibson, author of the report says “Big media’s current games market push is the latest in a succession of attempts that date back over 30 years and which have almost uniformly resulted in failure and a retreat from the sector. This time, however, it has largely adopted a more diversified and sensible strategy, spreading its investment and risk in a way that it hadn’t been able to in the past. As a result, it looks like big media is here and here to stay.”

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About this research

The research in this press release is taken from Screen Digest’s report ‘Big Media Investment in Games: The Competitive Challenge’ published in February 2010. The report provides company profiles and analysis of the business strategies of the big media players who have entered the games market, including those mentioned in this press release. More information is available online at

http://www.screendigest.com/reports/10bigmediainvestmentingames/SD_10_02_BigMediaInvestmentInGames/view.html?start_ser=qi

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