/FACT SHEET

2023 BRAZIL GAMES INDUSTRY

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BRAZILIAN GOVERNMENT
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UNITING AND REBUILDING

Research and Report

GA Consulting

THE BRAZILIAN GAMING INDUSTRY IN 2022

In recent years, the Brazilian gaming Industry has presented two vital characteristics that show robust development. On the one hand, the demand for games in Brazil maintained 3% growth in 2022, contrasting with the global decline of 4.3% observed in the same year, according to Newzoo data.

On the other hand, the number of studios and the launch of Brazilian companies abroad has grown, as has the interest of international studios and publishers investing in Brazil. There are now over 1,000 studios mapped in the country, with more than 2,600 games released between 2020 and 2022, 1008 of which were released just last year. In addition, there has been direct investment in local projects and companies, such as the acquisition by Fortis Games and investments by Room 8 Group, along with EPIC Games' investment in the company Aquiris, from Rio Grande do Sul.

Given this environment, the 2023 Brazilian Gaming Industry Survey was conducted by Abragames (Brazilian Association of Electronic Games Developers) in partnership with ApexBrasil (Brazilian Trade and Investment Promotion Agency), outlining a detailed overview of the Brazilian gaming industry. The study aimed to explore and validate the trends identified in its 2022 version, providing a better understanding of the industry's current state and future prospects.

This document presents the key findings of the 2023 Brazilian Gaming Industry Survey, with data collected thru July 2023.

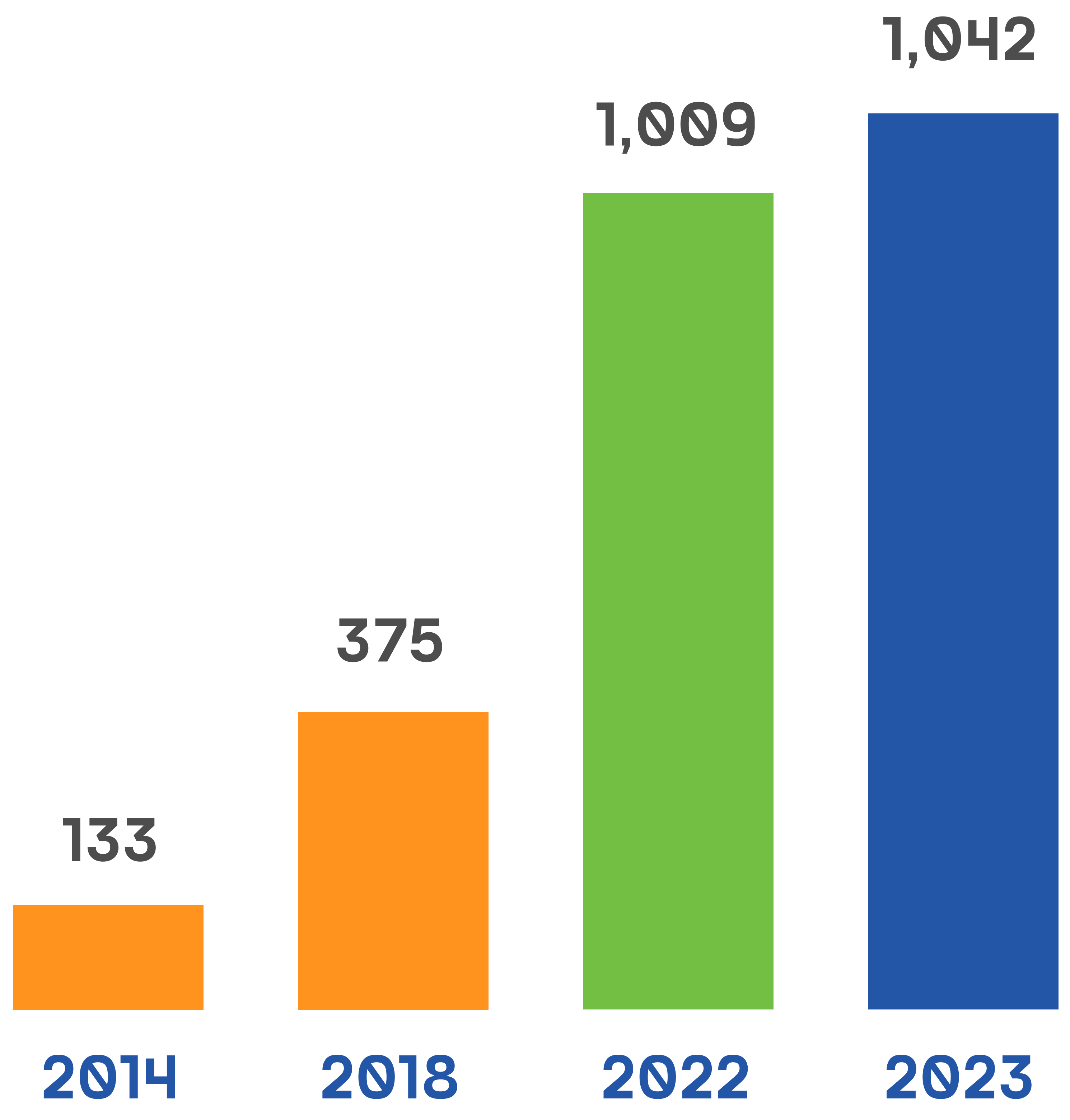
BRAZIL ON THE INTERNATIONAL STAGE

One way to measure the growing success of Brazilian gaming companies overseas is the reception for their products in the various markets where they operate, both in terms of their own products and third-party offerings. Half of the domestic developers operating in international markets obtained over 70% of their revenue internationally. This number rises to 65% when considering studios whose overseas revenue exceeds 50%.

While the growing number of games launched abroad reinforces the position of Brazilian studios in the consumer market, Brazil's potential as a promising region for External Development services, as indicated in the 2021 and 2022 XDS Summit reports, shows that Brazilian studios focused on external development are meeting international demands with quality.

Indeed, Brazil is highlighted in the report for its artistic as well as engineering and co-development capabilities, in addition to its favorable time zone for communication with both Europe and the United States.

Figure 1. Evolution of the number of developers



STUDIO GROWTH AND INDUSTRY ORGANIZATION

After reaching over 1,000 development studios in 2021, it is estimated that this number grew to at least 1,042 in 2022. This highly dynamic industry makes exact measurement challenging, as new studios are relatively easy to establish and there are no barriers to exit. ***(Figure 1)***

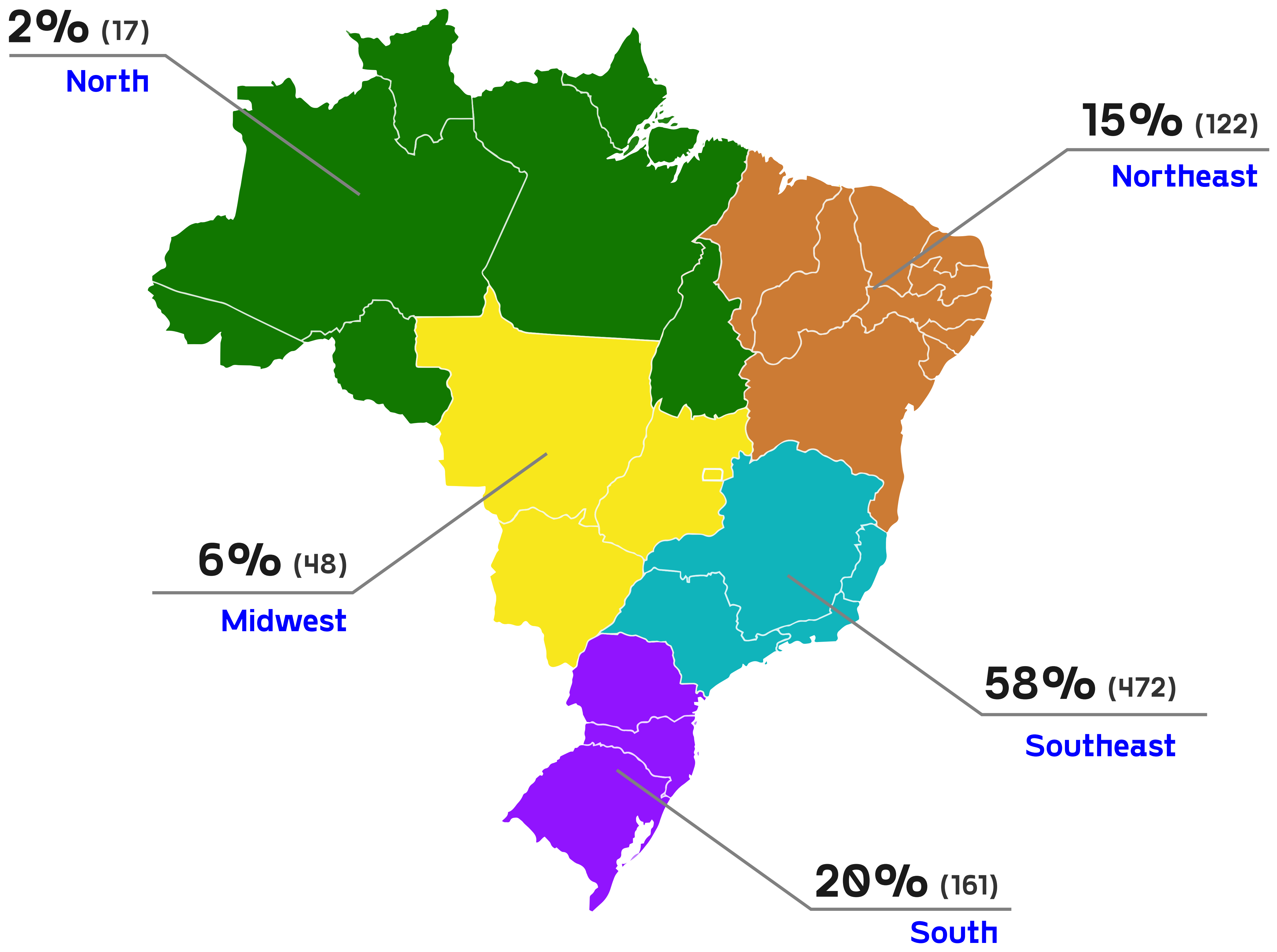
Of the studios that participated in the survey, 17% have been operating in the market for over 10 years, while 19% have been operating for less than two years. Of the total, 85% of the studios are already formally established, and 63% of the non-established intend to do so within one to two years.

In addition to the recent growth in the number of studios, their geographic distribution across the country is evident. A more digitized production environment, the growing trends of remote work and distance learning, and a greater offering of courses in various states are some of the factors that contribute to this distribution. The Southeast region stands out with 58% of companies, followed by the South (20%), which lost 1% compared to 2021, and the Northeast (15%), which gained 1%. The Midwest (6%) remained unchanged, and the North (2%) lost 1% according to the survey ***(Figure 2)***.

It has also been noted that the greater the number of studios and the wider their geographical distribution, the more complex it becomes to coordinate joint actions that satisfactorily serve the majority of industry companies. Since 2004, Abragames has sought to bring Brazilian development companies together in order to encourage public policies with federal, state, and municipal authorities. The partnership with ApexBrasil in the Brazil Games Program is one of the success stories among the various partnerships developed during this period.

The need for closer coordination with local demands has encouraged the emergence of regional associations, which have begun to en-

Figure 2. Distribution of developers by region



1,042 companies
Unable to establish the location of 222 companies

gage with municipal and state entities. In 2022, 16 active regional associations and collectives were identified.

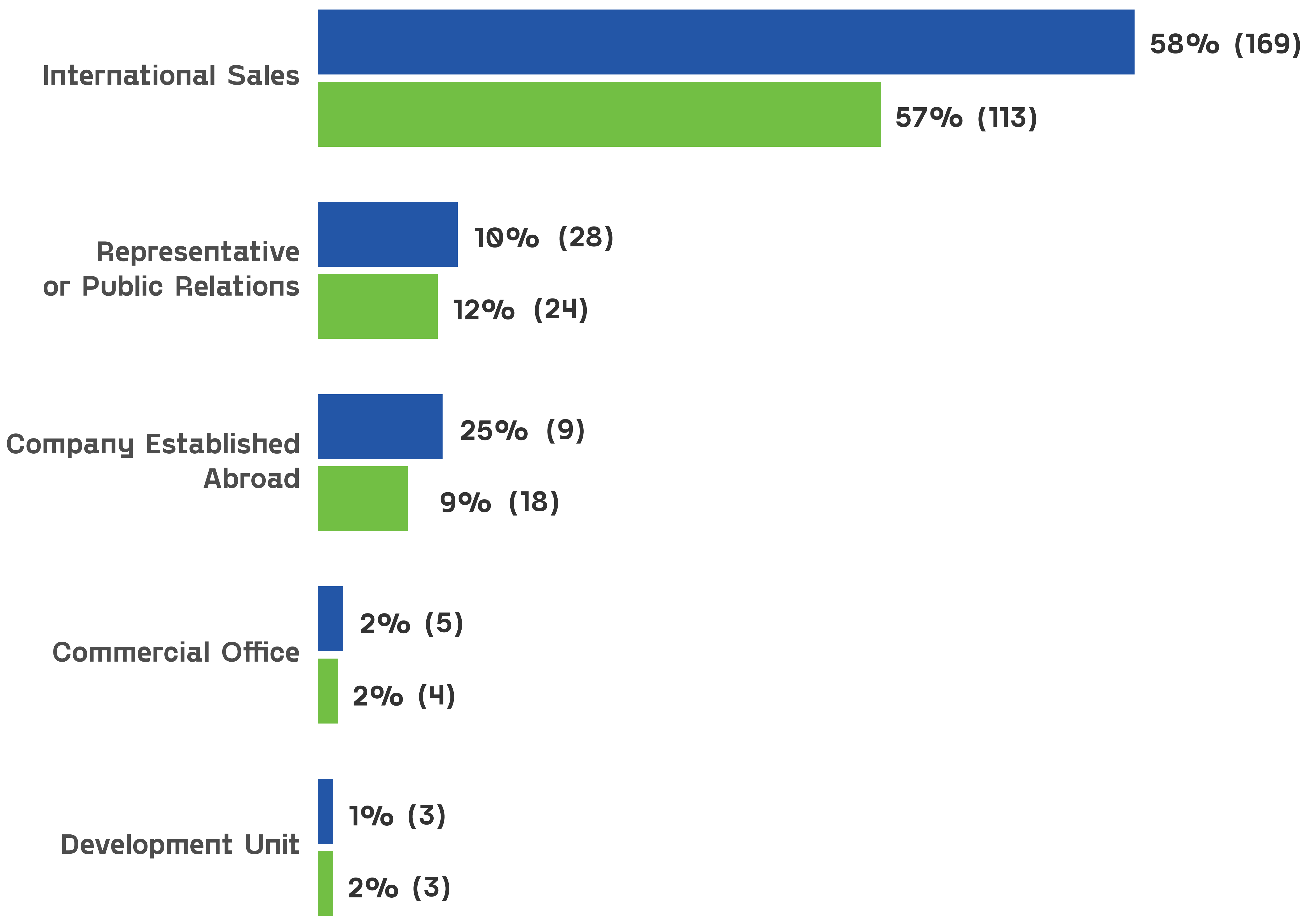
INTERNATIONAL PRESENCE

The digital distribution of games allows quick access to international markets, mainly for studios focused on the consumer market and developing entertainment games. Platforms such as Steam, Google Play, Apple Store, Streaming, among others, allow games to be released in multiple languages at launch.

Despite the absolute growth in the sample of studios, the variation between 2021 and 2022 in terms of various degrees of internationalization maturity was small. As shown in ***Figure 3***, 58% of developers sold internationally, while 10% had fixed representatives or public relations hired abroad.

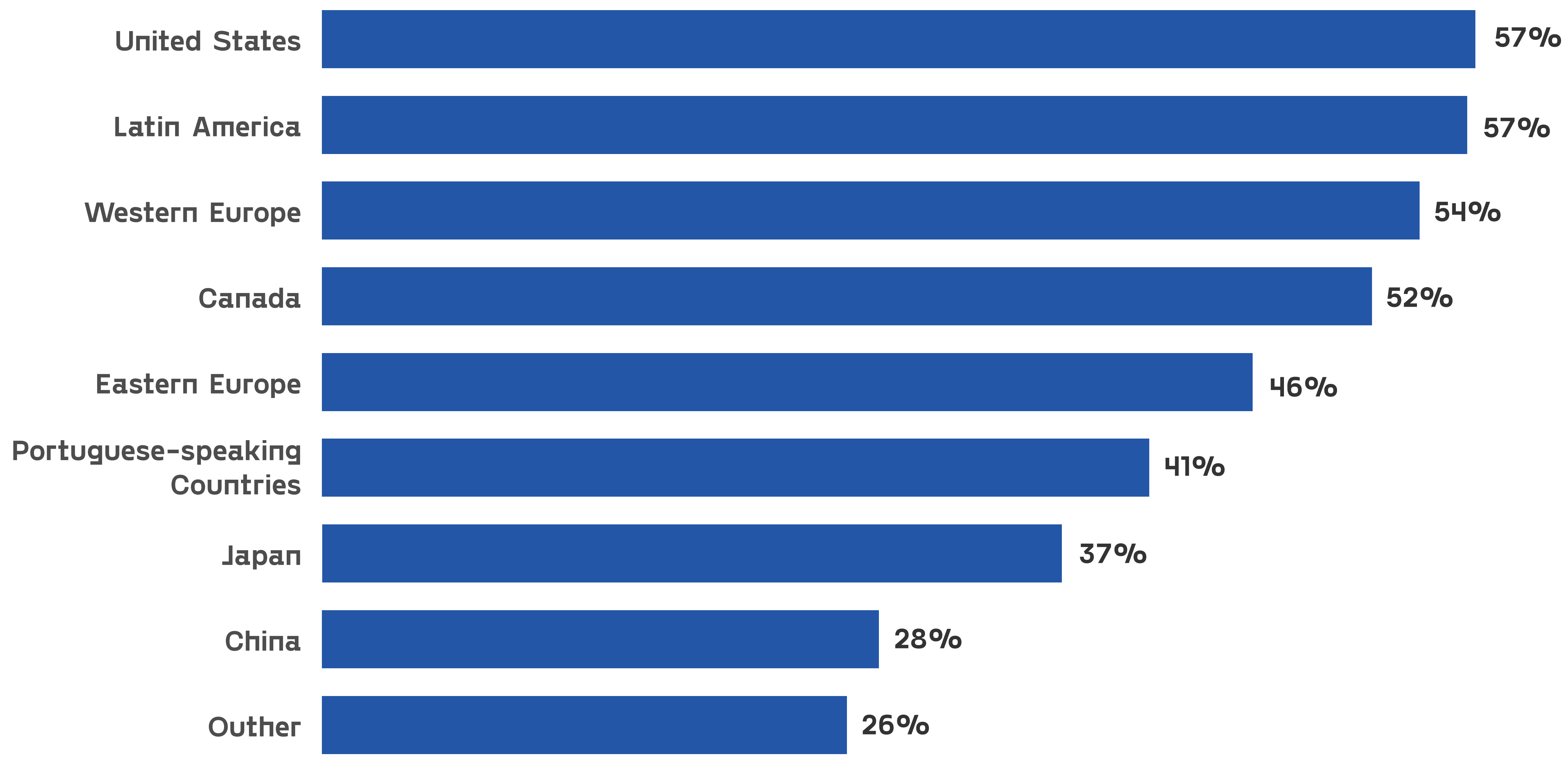
The United States and Latin America continue to be the primary markets for Brazilian companies selling abroad (57%). Western Europe saw the high-

Figure 3. Degree of Internationalization



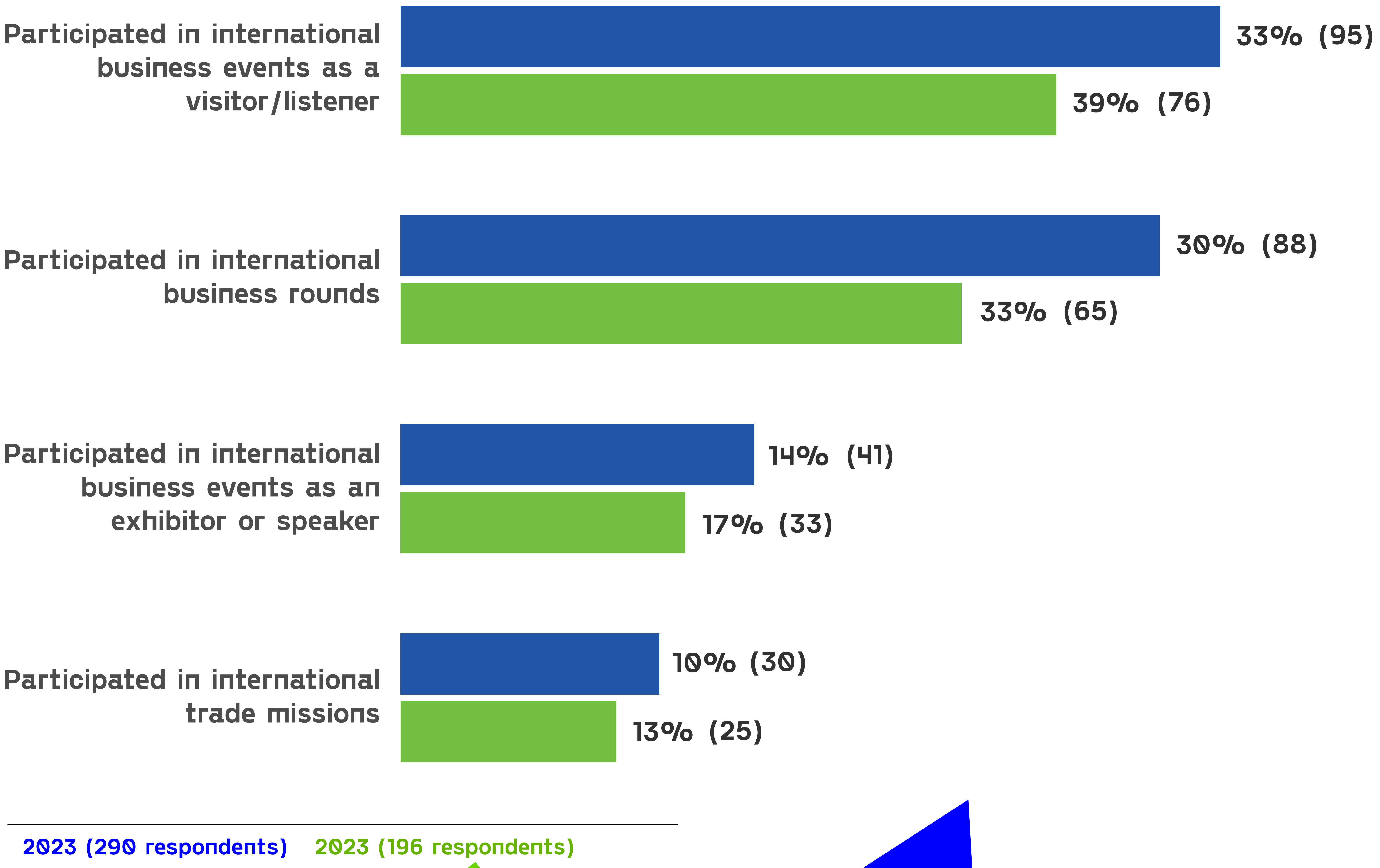
2023 (290 respondents) 2023 (198 respondents)

Figure 4. Main international markets



Total of Respondents: 254

Figure 5. Exposure to the international market



est growth as a target market from 2021 to 2022, rising from 49% to 54%

Exposure to these markets becomes a decisive factor for companies to boost international maturity. The Brazil Games project has contributed to exposing various Brazilian companies to international experiences. ***Figure 5*** shows that participation in international business events as a visitor/listener has been the most common situation among Brazilian companies. In this regard, the statistical effect of increasing the sample generates a distortion when considering the absolute number of companies, as it is evident that exposure, on average, grew by around 26%, reaching 35% when considering participation in international business rounds.

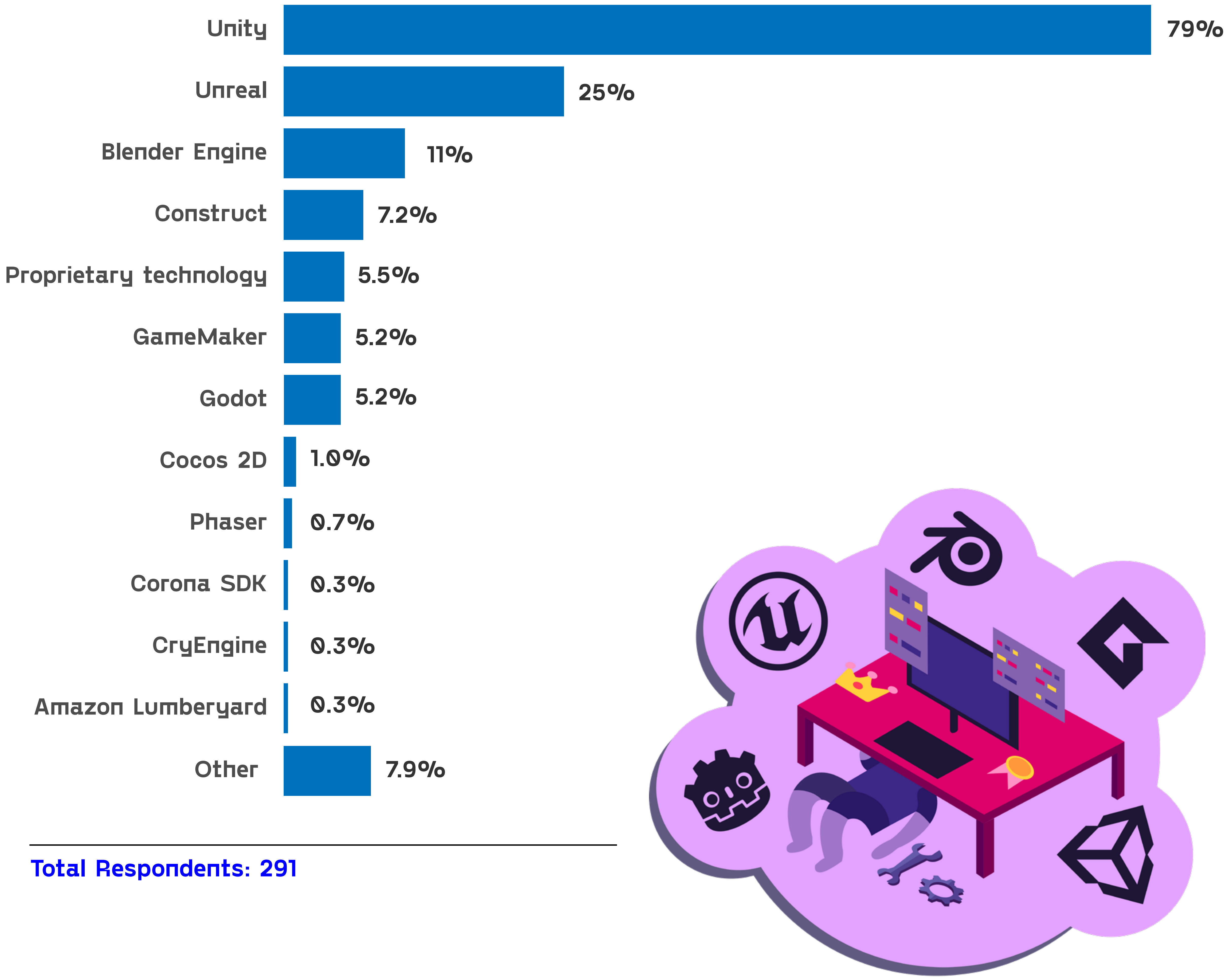
A TECHNOLOGICAL INDUSTRY

When it comes to accessing software technology, Brazilian companies face no limitations compared to other markets. Local developers can choose from the leading technologies and tools available internationally, with around 80% opting for the Unity engine in 2022, down from 83% in 2021.

Epic's Unreal engine remains the second choice among Brazilian studios, having grown by two percentage points in 2022, reaching 25% of studios. Despite trailing far behind Unity in adoption rate, Unreal was the only engine to experience growth in its usage among all the surveyed engines.

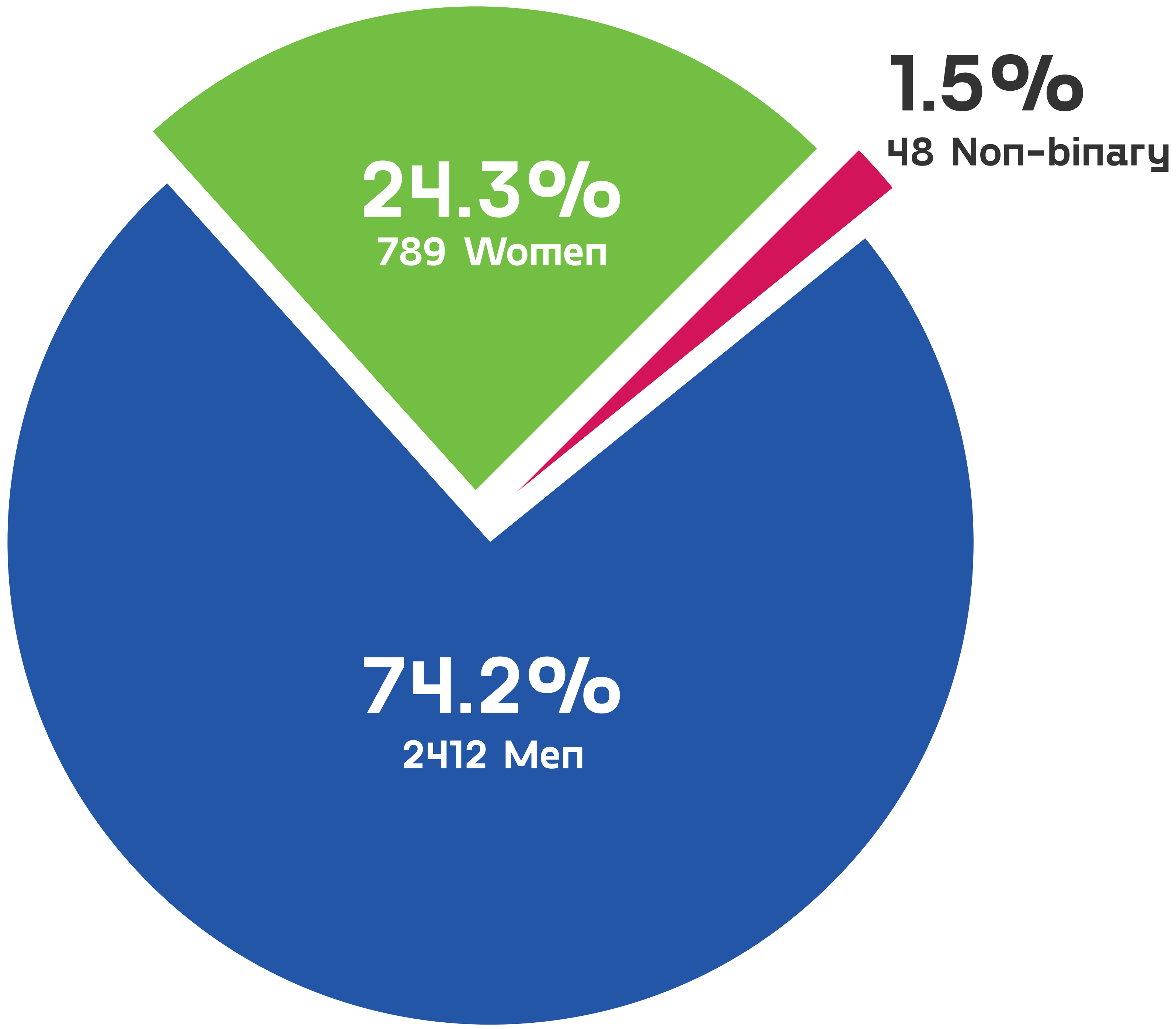
Studios are also diversifying the use of engines to better meet the demands of work coming from abroad, simultaneously reducing dependence and improving the industry's competitive position. On average, studios use 1.5 engines in their productions, with 8% of developers using 3 or more engines in their production.

Figure 6. Most used engines



Total Respondents: 291

Figure 7. Distribution of partners and employees by gender



Total respondents: 278 (3249 people in total)

QUALITY AND DIVERSITY

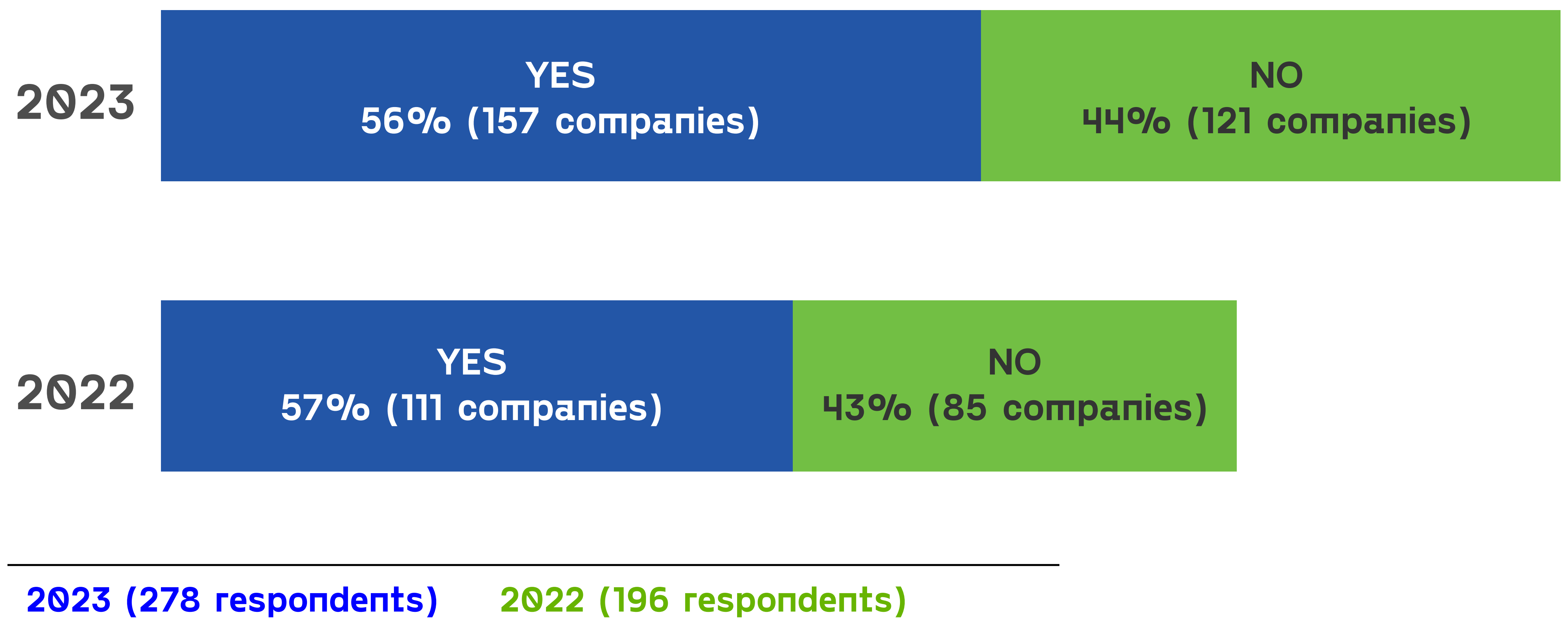
It is estimated that there were **13,225** people working in the Brazilian gaming industry in 2022. The numbers show that the participation of women as partners is 14.3%, and 28.2% as employees, reaching an overall participation of 24.3%. This outcome indicates that the growing involvement of women in game companies has not yet fully realized its potential ***(Figure 7)***.

In total, 57% of Brazilian game development companies participating in the survey affirmed having employees from black, indigenous, people with disabilities, transgender communities, or other minority backgrounds ***(Figure 8)***. This number remained consistent between the 2022 and 2023 surveys, showing that the industry is addressing diversity better than other sectors. This diversity benefits companies, allowing them to better adapt to the demands of different consumers while fostering greater creative development.

The education of this workforce is concentrated in private higher

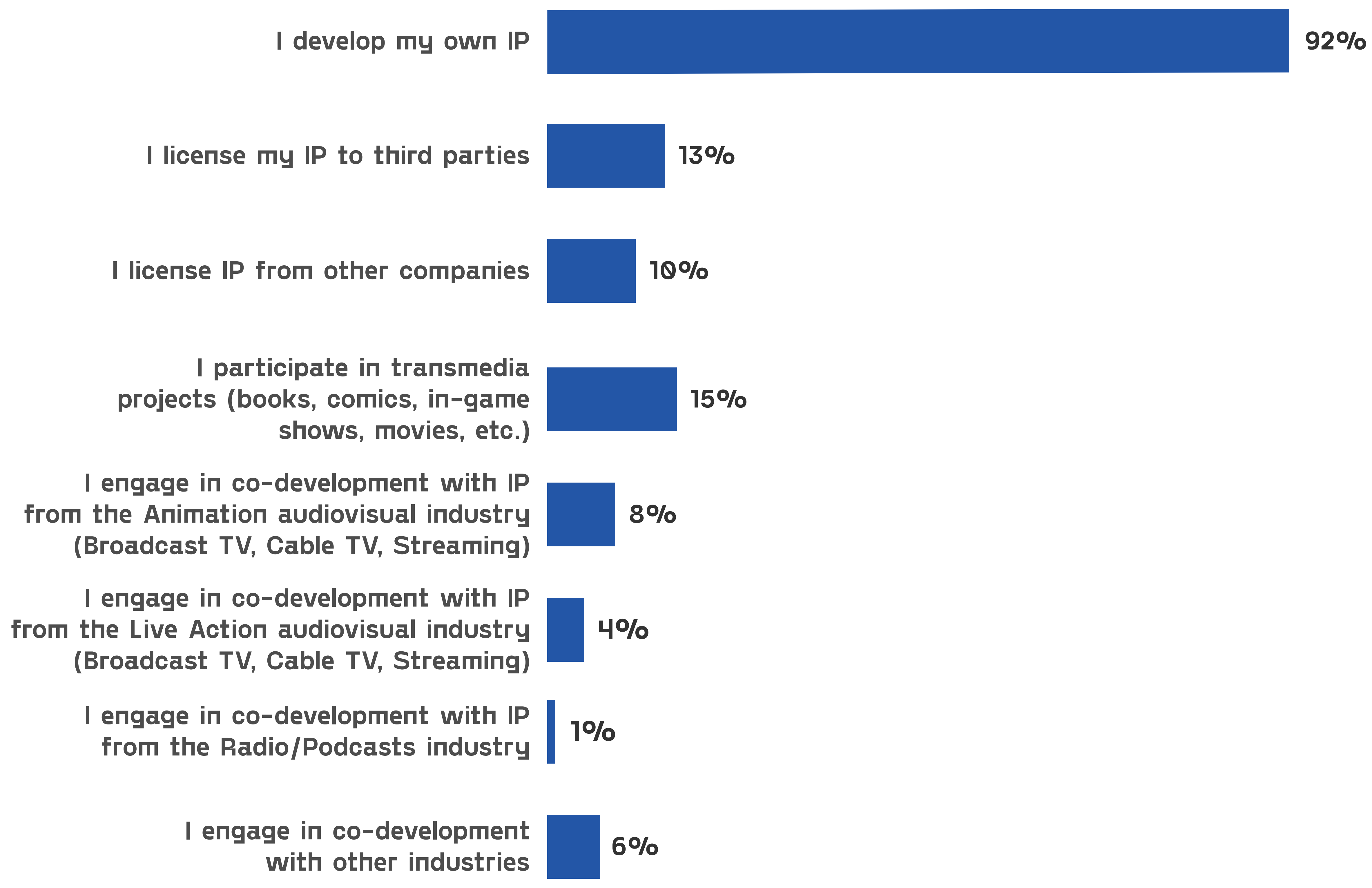
13,225
people working in the Brazilian game industry

Figure 8. Presence of black, indigenous, disabled, neurodiverse, foreign, refugee, transgender, and/or individuals over the age of 50.



education institutions (99.73%), or in freely available online courses, a global trend resulting from the pandemic. The 4,000+ undergraduate courses registered in the Brazilian Ministry of Education are distributed across approximately 140 higher education institutions, with over 40% of them located in the Southeast. Until 2010, the participation of women in higher education for digital games represented less than 3% of graduates. This number practically quadrupled between 2011 and 2020, reaching 12% and doubled in the two-year period of 2021 and 2022, reaching 24%, according to data from private higher education institutions.

Figure 9 - Aspects related to Intellectual Property



Total Respondents: 303

PRODUCTION CAPACITY

Similar to 2021, the vast majority of Brazilian studios (92%) developed their own intellectual property (IP) in 2022 ***(Figure 9)***. However, participation in transmedia projects (15%) and licensing their own IPs to third parties (13%) surpassed licensing IPs from other companies (10%), which held the second place at 18% in the previous year.

Developers exclusively using their own IP rose from 59% to 64% in 2022.

In 2022, 32% of respondent companies performed some form of service, with the exception of art outsourcing. Similar to 2021, Prototyping and Game Design (47%) were the main outsourced services. ***Figure 10*** shows the main outsourced services and their evolution compared to 2021.

In addition to developing their own games and providing outsourcing services, studios also offer other services tied to the gaming industry. The survey indicated that 49% of companies developed a proprietary game in 2022. Art Services (28%) surpassed Gamification (24%), while Animation rose from eighth place (21% in

Figure 10. Types of outsourced services performed

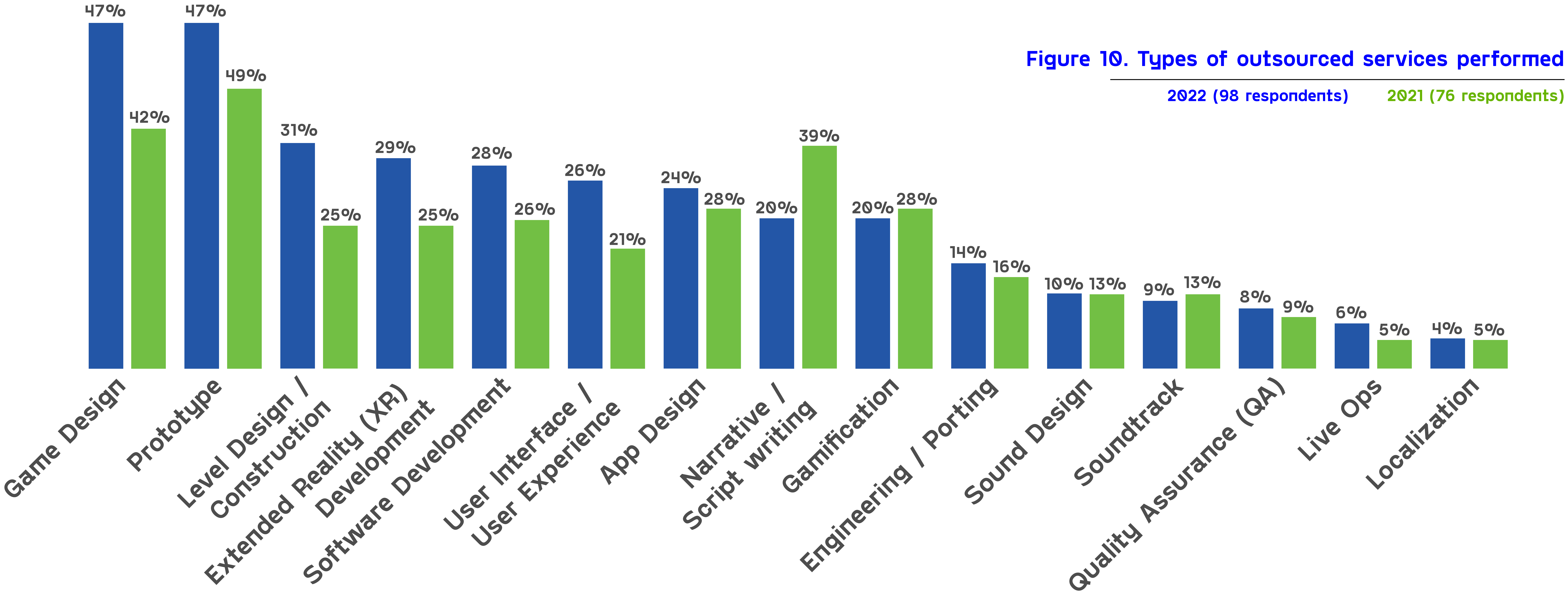
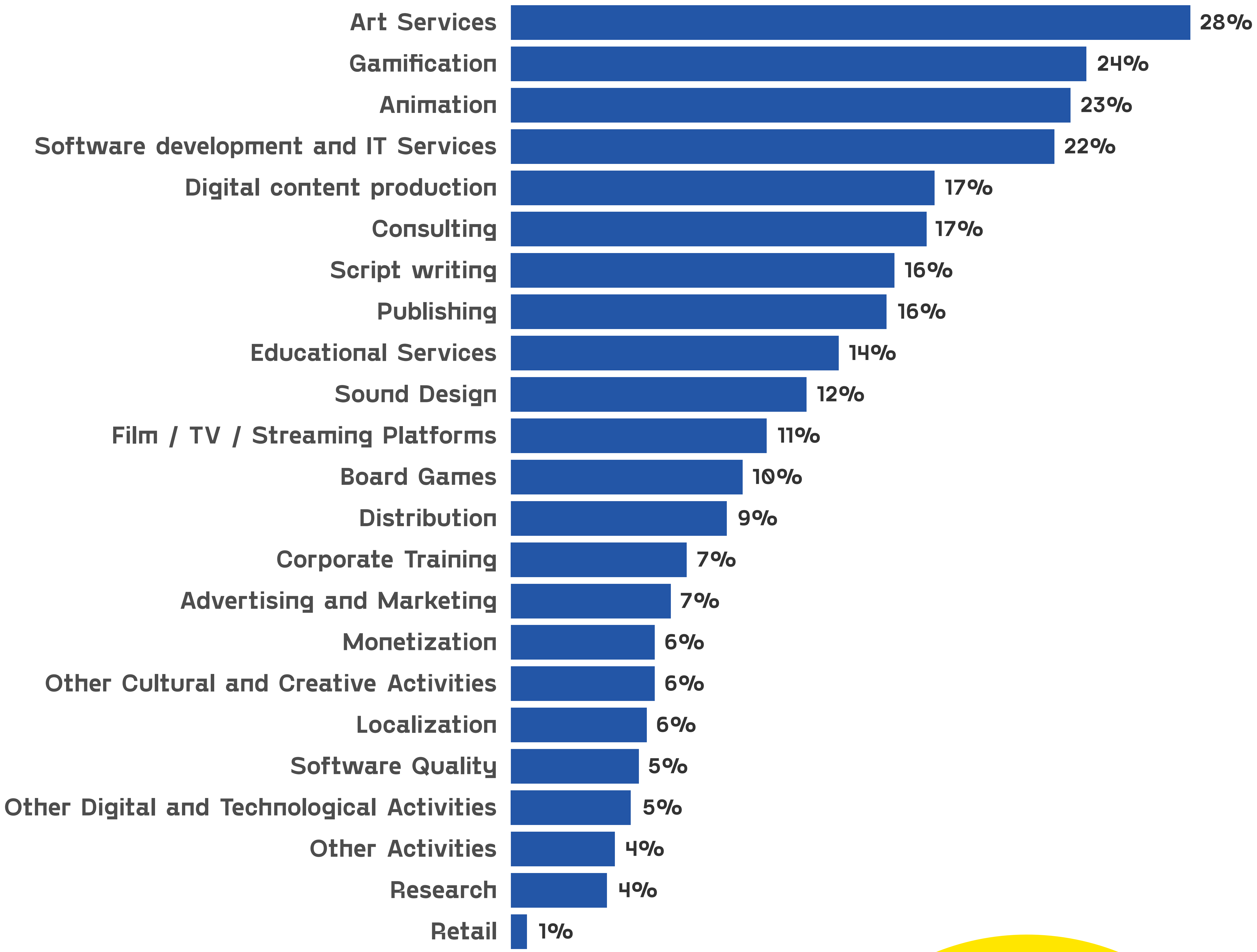


Figure 11. Activities carried out by developers



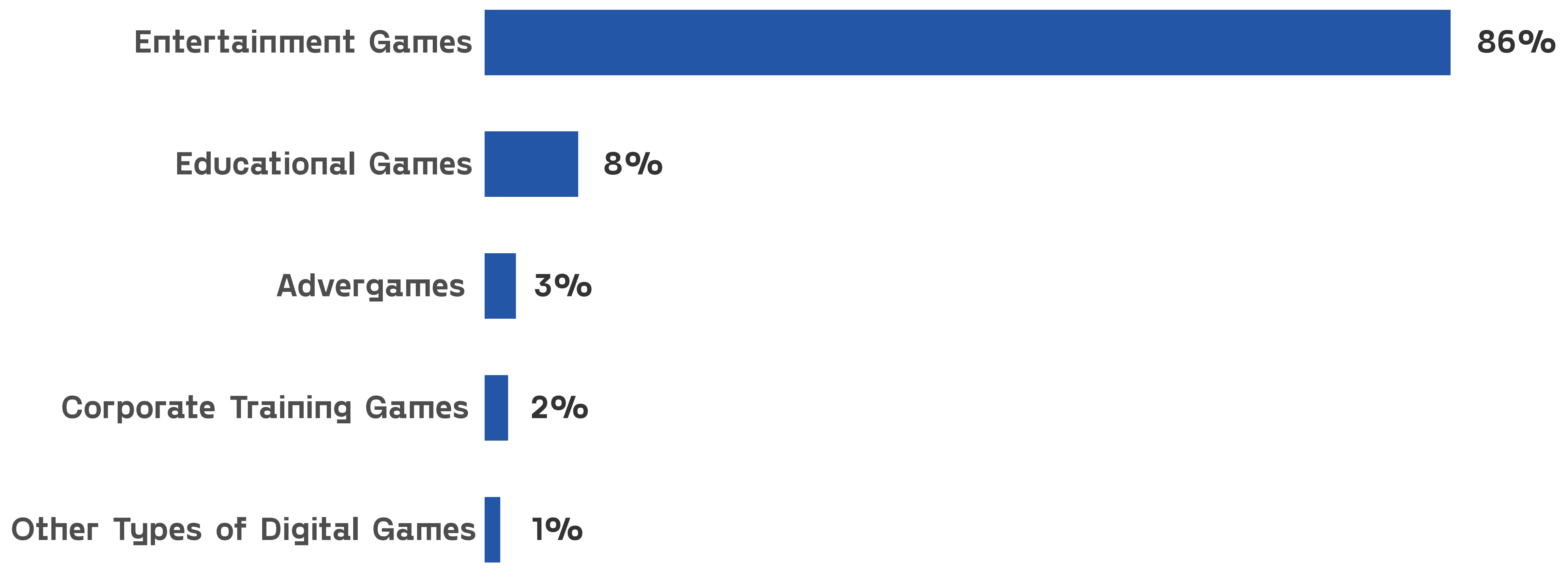
Total Respondents: 303

2021) to third place (23%) in 2022. Software development dropped from 25% to 22%, now ranking as the fourth most performed activity by developers. ***Figure 11*** shows the main activties carried out in 2022.

MAIN SOURCES OF REVENUE

The analysis of the revenue sources of the Brazilian gaming industry in 2022 shows that entertainment games remain the main source of revenue, although studios generate revenue from multiple types of games. In 2022, 86% of companies indicated that entertainment games were their main source of revenue ***(Figure 12)***, followed by educational games (8%), advergames (3%), and corporate training (2%). Concentration on entertainment games increased by 10% compared to 2021, while educational games decreased by 4% and

Figure 12. Main revenue sources by game type



Total Respondents: 145

other types represented half of their previous figure.

PCs have become the platform with the highest number of projects, just two more than mobile devices, both reaching 25% considering the number of games developed ***(Figure 13)***. When considering the platform generating the most revenue, the majority of companies indicated computers with 44%, followed by mobile devices (23%) and consoles (12%). ***(Figure 14)***

Figure 13. Summary of development by platform

25%	COMPUTERS
25%	SMARTPHONES AND TABLETS
18%	CONSOLES
23%	WEB
8%	VIRTUAL REALITY / AUGMENTED REALITY
0.1%	DIGITAL TV
1%	OTHER

Total Respondents: 221

Figure 14. Platform generating the most revenue

44%	COMPUTERS
23%	SMARTPHONES AND TABLETS
6%	WEB
12%	CONSOLES
5%	VIRTUAL REALITY / AUGMENTED REALITY
10%	OTHER
1%	SOCIAL MEDIA

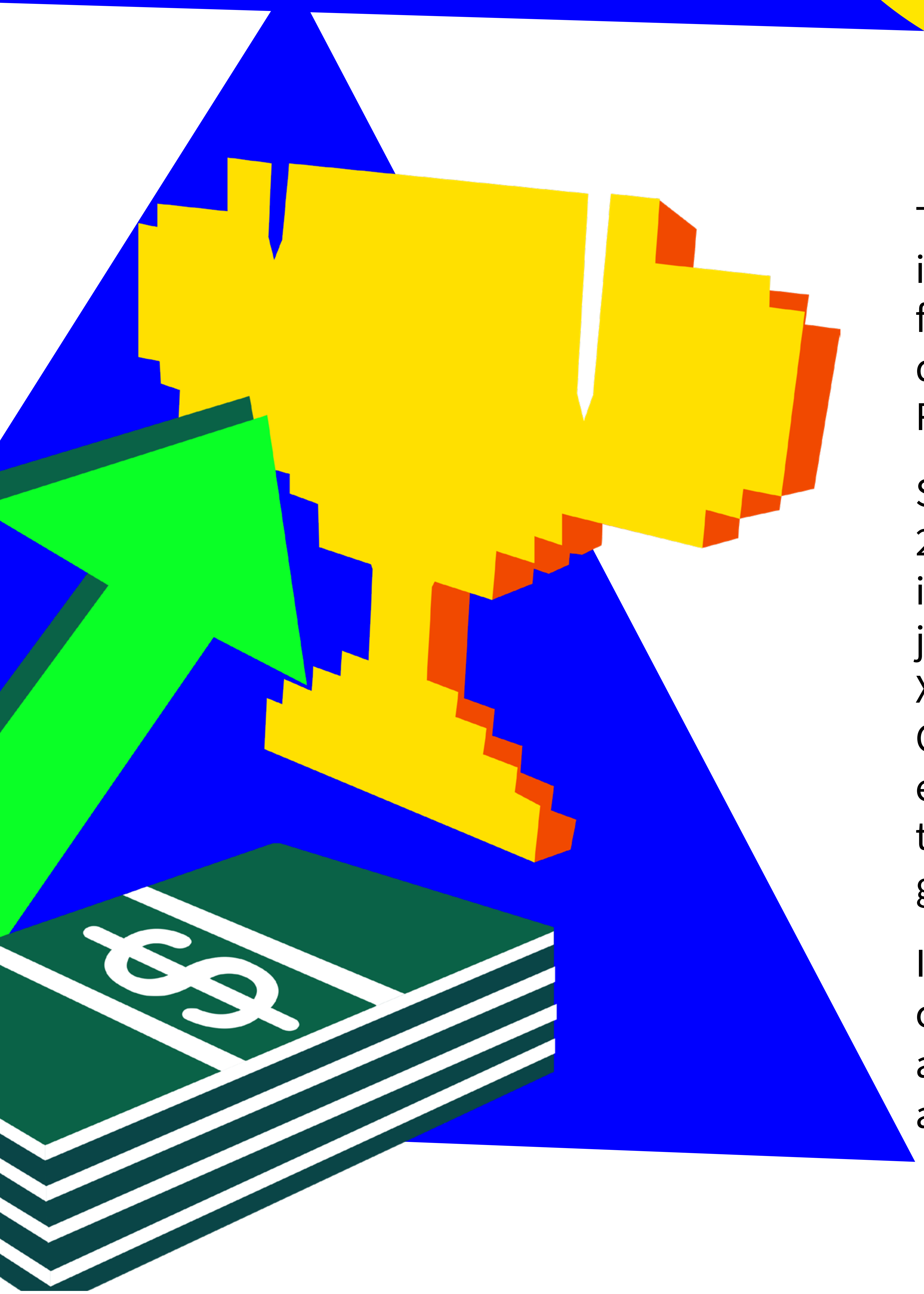
Total Respondents: 263

DIVERSITY OF EVENTS

As in other industries, the city of São Paulo tends to be a hub for major events in the gaming industry. However, with the growth and emergence of developers across various states, there has been a rise in other events across the country in 2022.

Not only are these events spreading throughout Brazil, but their formats and objectives are becoming more diverse. Gaming events may strategically target the Business-to-Business (B2B) market, with a focus on generating business between companies in the sector. Other events are more consumer-oriented, where developers and publishers showcase their releases or create opportunities to get closer to their consumers, and there are academic events as well, which seek to discuss knowledge within the sector. Large events usually include lectures, as well as B2B and consumer areas, where visitors learn about companies, the industry, and relevant topics.

In 2022, we saw the return of on-site events in Brazil, and São Paulo hosted the two biggest events of the year. The BIG Festival (Best International Games Festival) was held in July, and has been the main hub for business generation (B2B) and showcasing independent games in Latin America since 2012. The BGS (Brazil Game Show) then took center stage in October, the largest gaming fair in Latin America, which stands out as the main event focused on consumers, and has also featured a B2B area for over a decade.



The Brazilian Symposium on Games and Digital Entertainment (SBGames), whose main focus is academic discussion and is held in a different location each year, was held in Natal, RN, during the month of October.

Several other events were also held in Brazil in 2022, serving as opportunities for digital gaming fans to gather, without just focusing on major releases or business. They included Game XP, held in Rio de Janeiro, which presented a Gamepark format, and the Comic Con Experience (CCXP), focused on geek culture, which took place in São Paulo and also offered a gamer area.

In the competitive development format, we can highlight Game Jam Plus, with regional stages taking place in various cities, Global Game Jam, held in Brazil since 2019, and Women Game Jam, focusing on women, trans and non-binary people.

With the growth of the gamer culture, the presence of spaces for games in events focused on education has become more common, as was the case at Bett Brasil Educar, aimed at education and technology, held in São Paulo. This is also true for events focused on creativity and innovation, such as Rio2C, held in April in Rio de Janeiro.

Boasting strong engagement by local associations and both public and private incentives, regional events took place across various states, many of them held in person. States that hosted gaming events in 2022 include Bahia, Brasília, Ceará, Rio Grande do Sul, Santa Catarina, among others.

INVESTMENT LANDSCAPE

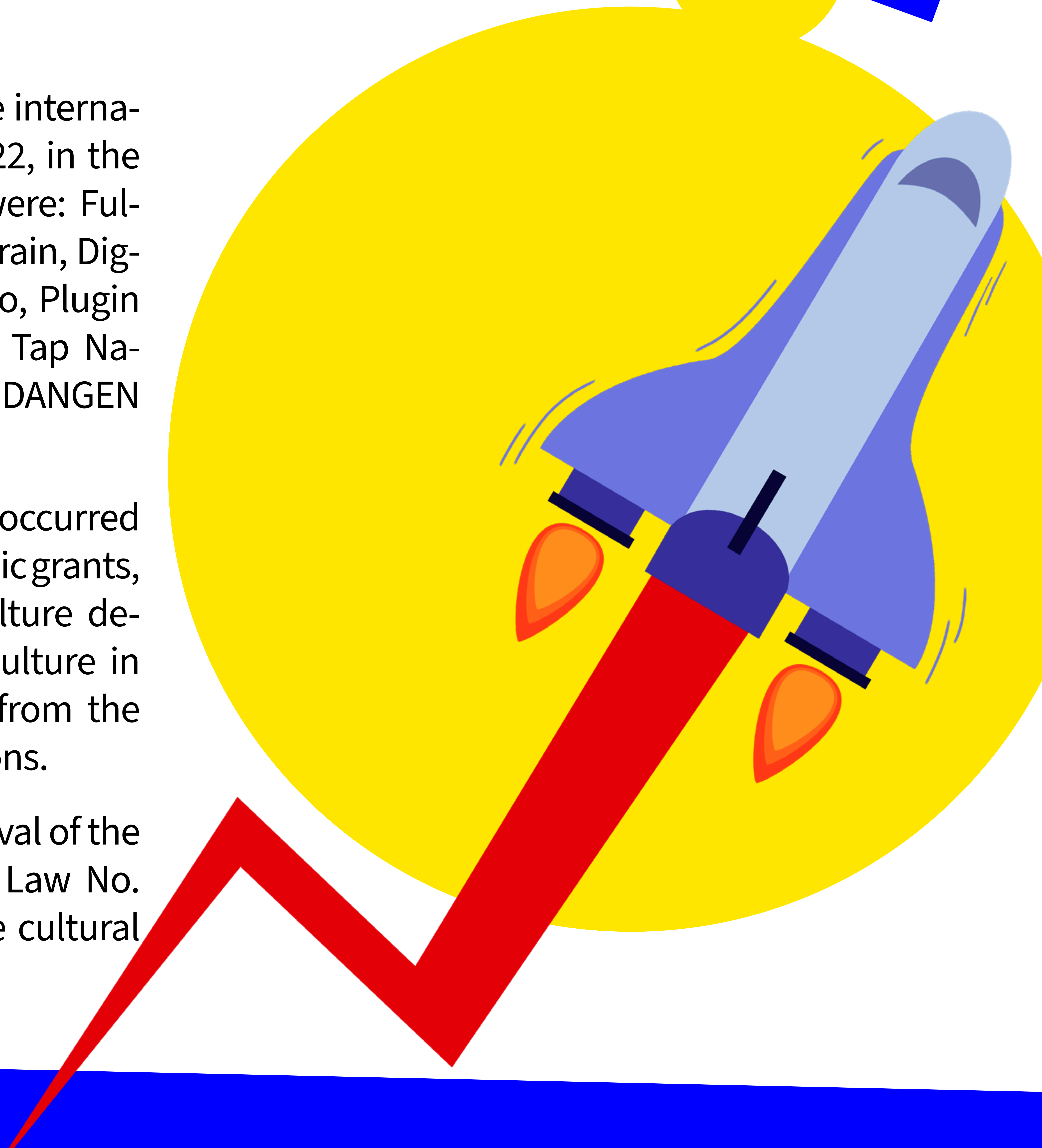
An important factor for the Brazilian gaming industry to accelerate its growth in the coming years is access to investment. Access to public resources in recent years has been limited to specific actions, and the participation of private investment is still far from what happens, for example, in other technology-oriented sectors.

The vast majority of studios rely on their own company's and entrepreneurs' resources (46%). International publishers, in turn, invested in 16% of the surveyed companies. On the other hand, other private investment options, such as angel investing, private grants, accelerators, virtual crowdfunding, among others, reach less than 10% of companies.

Access to capital via international publishers has increased as a result of the exposure of Brazilian companies at B2B events. Some of the international publishing partners cited in 2022, in the order they appeared in the survey, were: Fulqrum Publishing, QubicGames, HypeTrain, Digital Paradox Interactive, Bandai Namco, Plugin Digital, Skystone Games, SOEDESCO, Tap Nation, Crazy Games, Akupara Games, DANGEN Entertainment.

Public investments, on the other hand, occurred only at local and state levels. These public grants, when launched, were initiated by culture departments or programs focused on culture in municipalities and states, stemming from the work carried out by regional associations.

New at the federal-level was the approval of the Paulo Gustavo Law (Complementary Law No. 195, dated July 8, 2022), aimed at the cultural



sector, adopted as a result of the economic and social impacts of the Covid-19 pandemic. The values and allocation of these resources to the gaming sector were to be discussed in 2023.

WHERE DO WE GO FROM HERE

It is clear that the Brazilian gaming development industry not only sustains consistent growth but also displays resilience even in times of crisis. At the same time, Brazilian gamers remain eager for new content and products. This seems to be the perfect mix for a successful gaming market in the long run.

The prospects for improvements in the Brazilian economy, bolstered by a more stable political landscape, stand in contrast to the instability of the global market. Both generate potential opportunities and challenges for the coming years.

The local scenario becomes an opportunity for an ecosystem that has grown and diversified. Brazil boasts higher education courses in the field of digital gaming spread throughout the country, along with supporting companies (localization, monetization, animation, among others) for developers, studios offering products for consumers, external development services, and the presence of international players such as Garena, Tencent, Ubisoft, among others.

The local challenge is to organize the different public and private players in a way to harnesses the industry's momentum. The intention is to complement the ecosystem where there are still gaps, such as in the case of accelerators and initial project financing, and to enable a synergistic allocation of resources. The alignment among public entities at various levels and areas (ApexBrasil, FINEP, BNDES, State Secretaries, among others), ABRAGAMES, and regional associations for better understanding and targeting of public investment will enable sustained growth of the industry's foundational pyramid. At the same time, the participation of private industry companies with their expertise, such as Google with its Indie Games Accelerator project, will enable a healthier business environment for established companies.

The unstable international scenario has led to some unexpected changes within the gaming industry in recent years. While borderless remote work has solidified as a reality in the post-pandemic era, the conflict in Ukraine has, in turn, elevated costs in Europe, with a potential impact on future development in certain countries. Simultaneously, it has prompted the migration of game development companies from Ukraine to the United Kingdom.

This scenario, combined with the recognized quality of outsourced development by Brazilian companies, enables the absorption of technology and knowledge derived from projects executed in collaboration with international studios and publishers. This generates more qualified individuals who will in turn nourish the local ecosystem. Simultaneously, as the external demand for remote employees amplifies this transfer, it becomes necessary to create more accessible and diverse human resources.

ABRAGAMES BRAZILIAN GAME COMPANIES ASSOCIATION

Abragames, the Brazilian Game Companies Association, was founded in 2004 and represents Brazilian studios developing games in various platforms. Besides catalyzing the game production in the country by training and promoting expertise, Abragames aims at making Brazilian creativity and technology available to the main players of the international game industry.

BRAZIL GAMES EXPORT PROGRAM

The Brazil Games Export Program, is the export program created by the Brazilian Game Companies Association, ABRAGAMES, in partnership with ApexBrasil, the Brazilian Trade and Investment Promotion Agency. Our goal is to promote the Brazilian Game industry internationally, developing new business opportunities for our companies. The Brazil Games Program also promotes Brazil as the hub for business in Latin America and invites buyers, investors and publishers for BIG Festival, Brazil's Independent Games Festival, the most important international indie games festival and the hub for international business in Latin America.

APEXBRASIL

The Brazilian Trade and Investment Promotion Agency (ApexBrasil) works to promote Brazilian products and services abroad and attract foreign investments to strategic sectors of the Brazilian economy. In order to achieve its goals, ApexBrasil carries out several trade promotion initiatives aimed at promoting Brazilian products and services abroad, such as prospective and trade missions, business rounds, support to the participation of Brazilian companies in major international fairs, visits of foreign buyers and opinion makers to learn about the Brazilian productive structure, among other business platforms that also aim at strengthening the Brazil brand.

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