

38 Studios: Rhode Island Economic Development Corp. ("RIEDC") Discussion Materials

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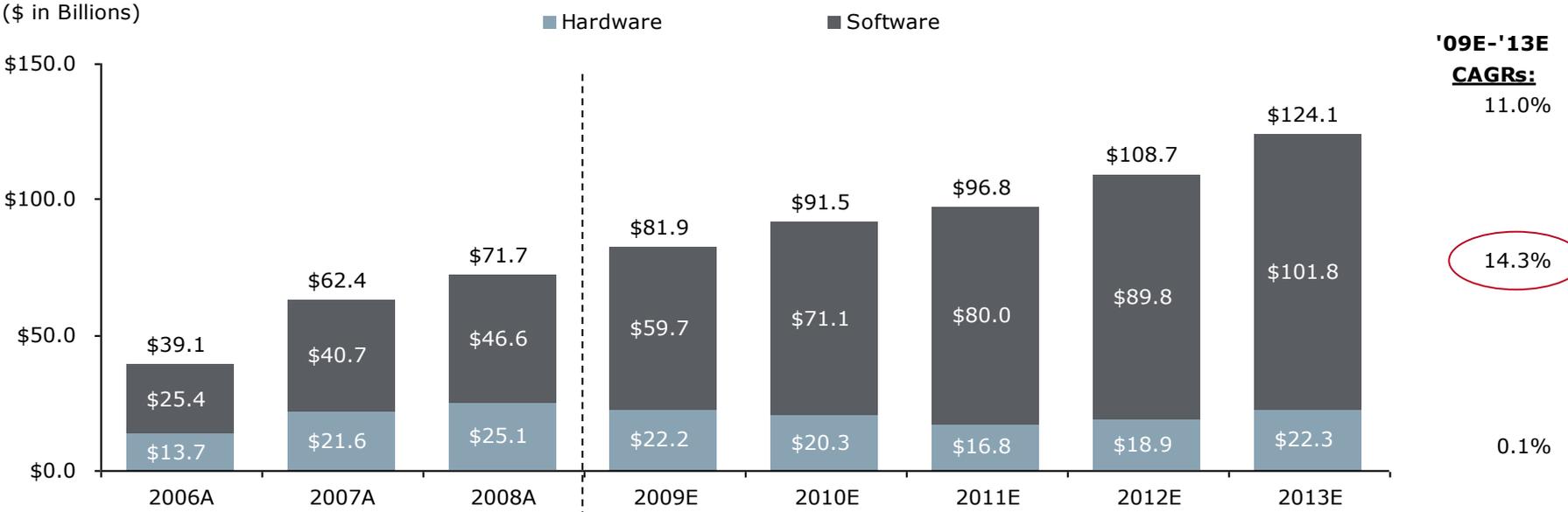
Interactive Entertainment Industry Overview

Interactive Entertainment Market Opportunity

Growth in the Interactive Entertainment Market will be Primarily Driven by Software Sales

- Worldwide revenue representing retail value of shipments of videogame consoles, dedicated handheld gaming devices, and packaged software for consoles and handhelds reached a record high of \$71.7 billion in 2008, up 15% from 2007's record high of \$62.4 billion.
 - The worldwide market is expected to reach \$124.1 billion in 2013, a projected compounded annual growth rate of 11.0%.
- While hardware revenue is projected to decline and then rise again in 2012 and 2013 due to the console cycle, the retail value of software shipments is expected to increase at a compounded annual growth rate of 14.3% in the projected years, reaching \$101.8 billion in 2013.

Worldwide Interactive Entertainment Revenue by Component



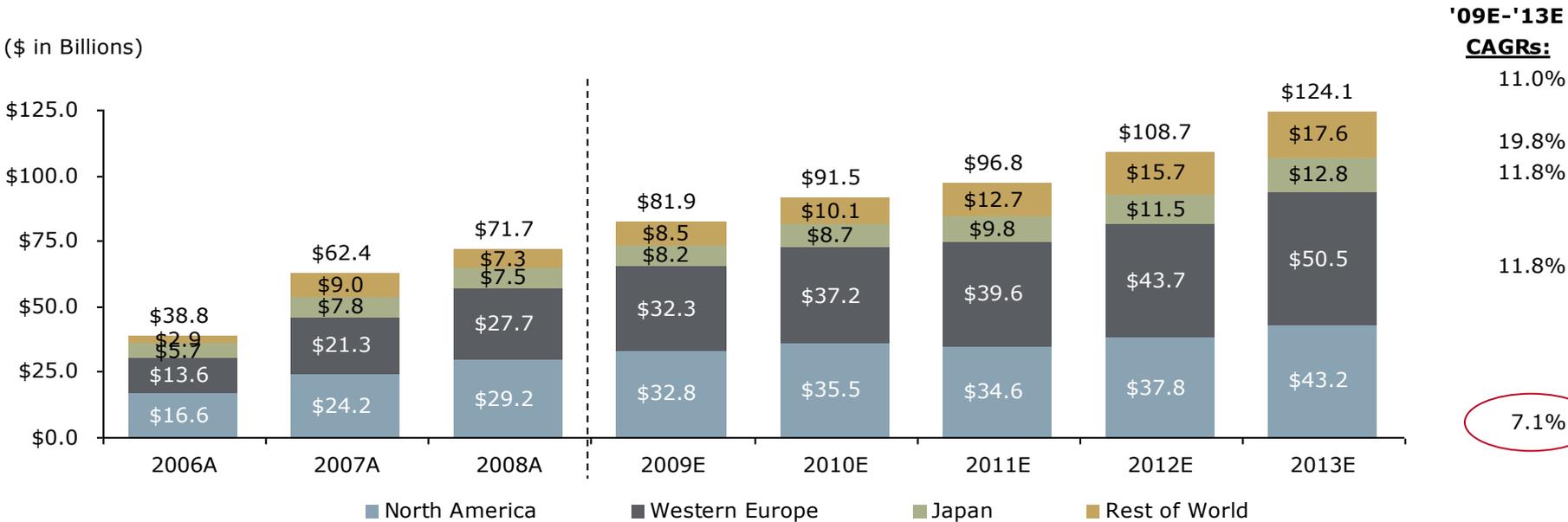
Source: IDC, May 2009

Market Opportunity by Geography

North America and Western Europe Each Currently Represent 40% of Total Market Share

- Revenue in North America is expected to grow at a compounded annual growth rate of 7.1%, growing from \$32.8 billion in 2009 to \$43.2 billion in 2013.

Worldwide Interactive Entertainment Revenue by Geography

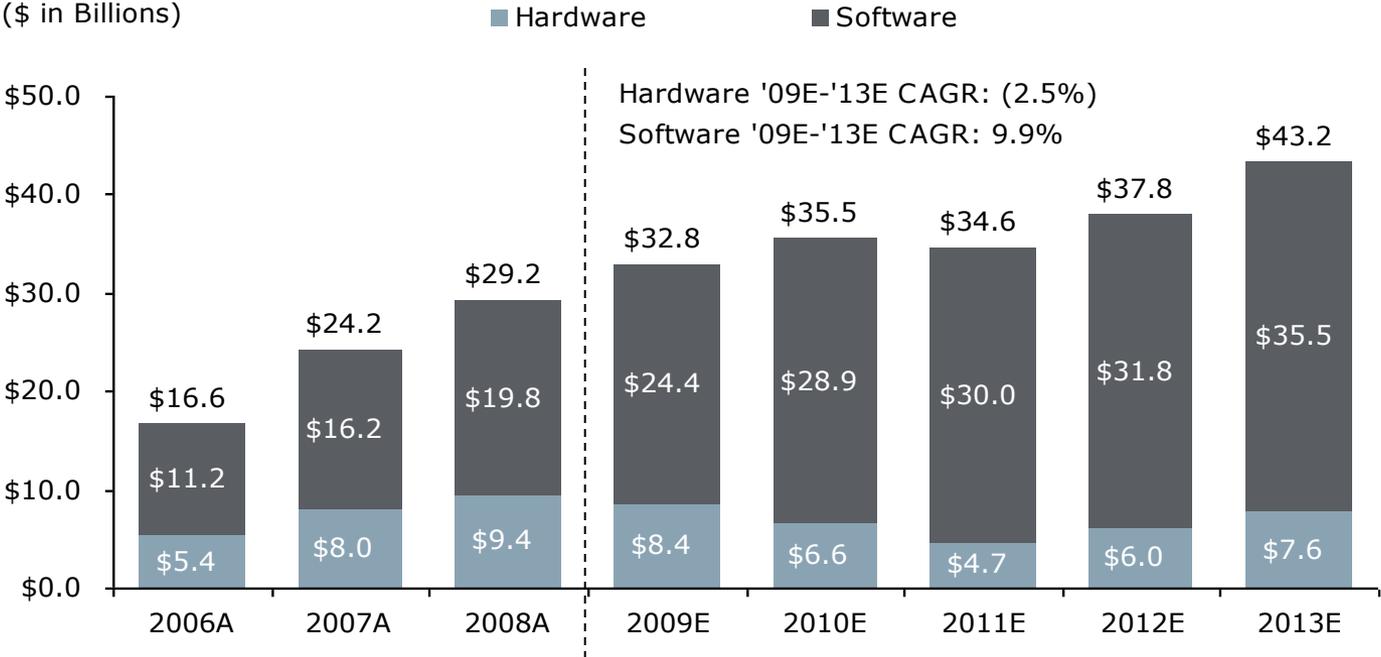


Source: IDC, May 2009

North America Market Opportunity

Within North America, Hardware Revenue is Projected to Decline Slightly While the Retail Value of Software Shipments is Expected to Increase at a Compounded Annual Growth Rate of 9.9% in the Projected Years, Reaching \$35.5 Billion in 2013

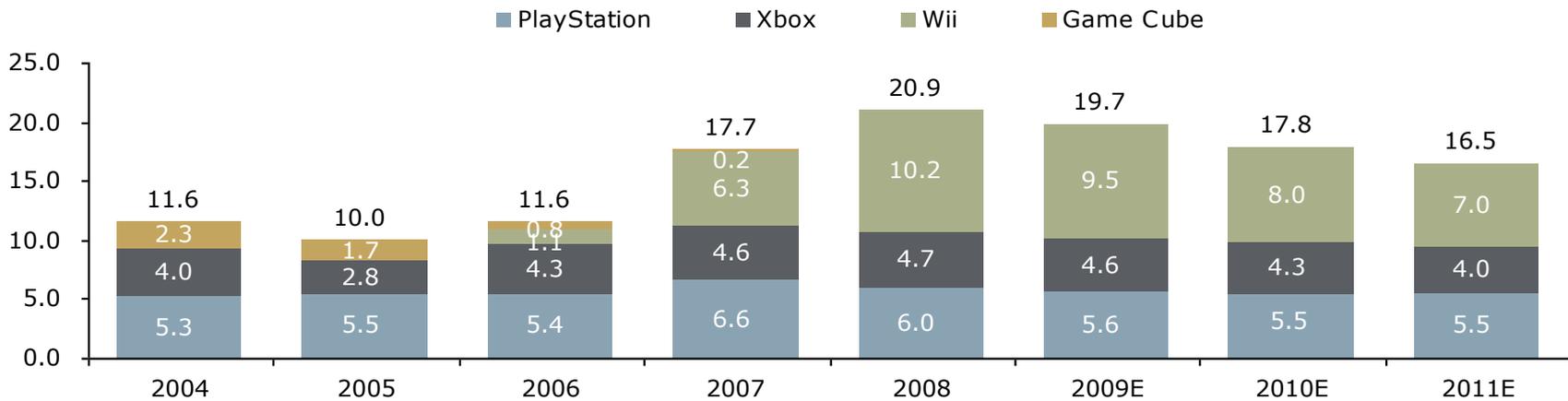
North America Interactive Entertainment Revenue by Component



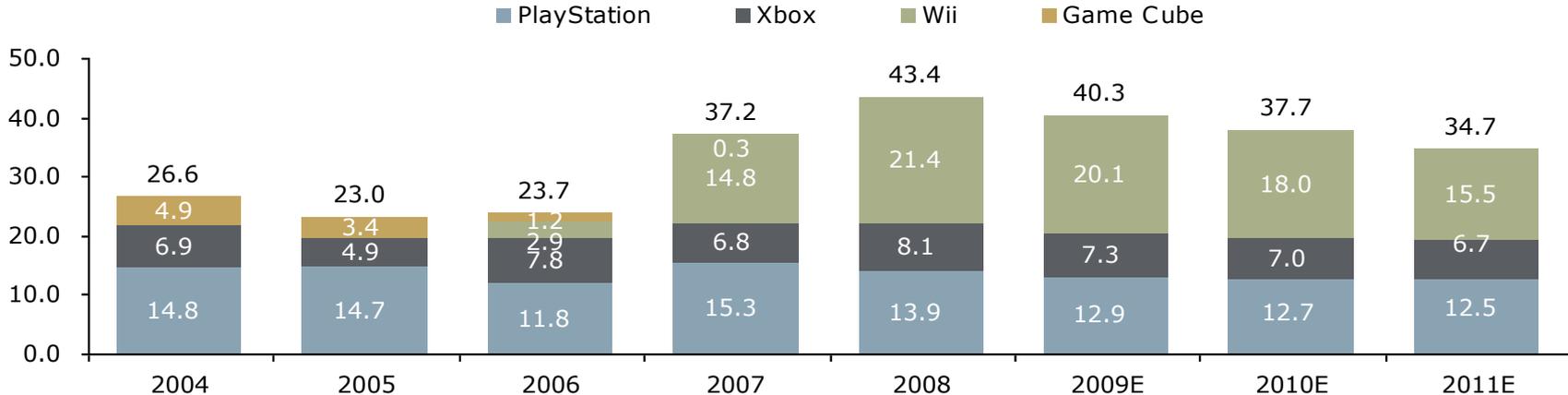
Source: IDC, May 2009

Composition of Console Installed Base in the U.S. and Worldwide

U.S. Console Unit Sales (in millions)



Worldwide Console Unit Sales (in millions)

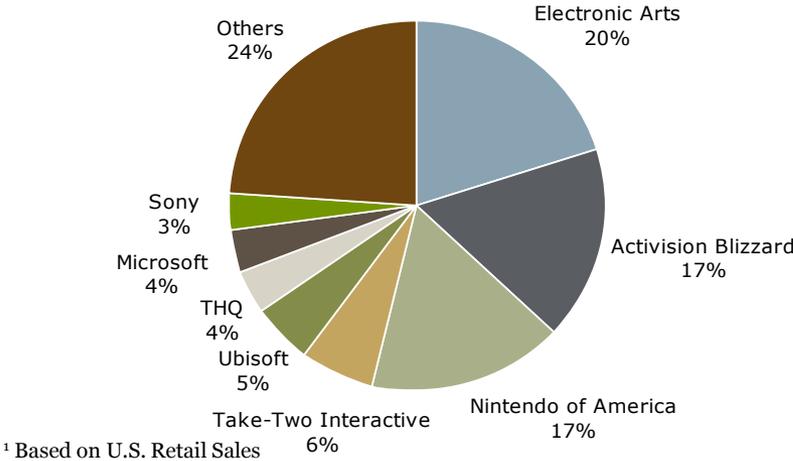


Note: "PlayStation" includes PlayStation, PlayStation2 and PS3; "Xbox" includes Xbox and Xbox 360
 Source: Wall Street research

Top U.S. Interactive Software Publishers and Key Titles

While the Industry Leaders Command a Large Portion of the Entertainment Software Industry, the Industry is Fragmented and Numerous Small, Privately-Held Players Exist

2008 Top U.S. Interactive Entertainment Software Publishers ¹



Publisher Top Brands (U.S. Sales 2008)

Electronic Arts			Activision			Nintendo			Take-Two		
Rank	Brand	Amount (\$ mil)	Rank	Brand	Amount (\$ mil)	Rank	Brand	Amount (\$ mil)	Rank	Brand	Amount (\$ mil)
1	Rock Band	\$662	1	Guitar Hero	\$992	1	Mario Brothers	\$761	1	Grand Theft Auto	\$361
2	Madden Football	312	2	Call of Duty	446	2	Wii Fit	407	2	NBA 2K	60
3	The Sims	143	3	Warcraft	104	3	Wii Play	261	3	Carnival Games	54
4	Need for Speed	106	4	Spider-Man	42	4	Pokemon	119	4	MLB 2K	49
5	NCAA Football	94	5	Cabela's	32	5	Zelda	67	5	Midnight Club	49
6	Tiger Woods	89	6	Kung Fu Panda	32	6	Animal Crossing	54	6	Civilization	37
7	FIFA	79	7	James Bond	25	7	Nintendogs	44	7	Bully	17
8	NBA Live	71	8	Transformers	23	8	Wii Music	42	8	Elder Scrolls	14
9	Left 4 Dead	67	9	Crash Bandicoot	20	9	Brain Age	39	9	NHL 2K	12
10	Battlefield	57	10	Tony Hawk	17	10	Kirby	26	10	Top Spin	9
Total	Top 10 Brands	\$1,680	Total	Top 10 Brands	\$1,733	Total	Top 10 Brands	\$1,820	Total	Top 10 Brands	\$662
%*		71%	%*		89%	%*		94%	%*		90%

* % of total company U.S. sell-through attributable to top ten brands

Source: Wall Street research

Trends and Drivers

Current Drivers

- Broadband penetration to the home, enabling digital distribution and online gaming.
- More powerful PCs and laptops at lower prices.
 - Better graphic processors, more disc space, etc.
- Improvement in quality of games, often with social elements (VoIP, text chat, etc.).
- Longer console lifecycles.
- Growth in adoption of smart phones and other handheld devices that support gaming applications.
- Changing demographics: The web-literacy rate among the target audience has been growing constantly.

Inhibitors

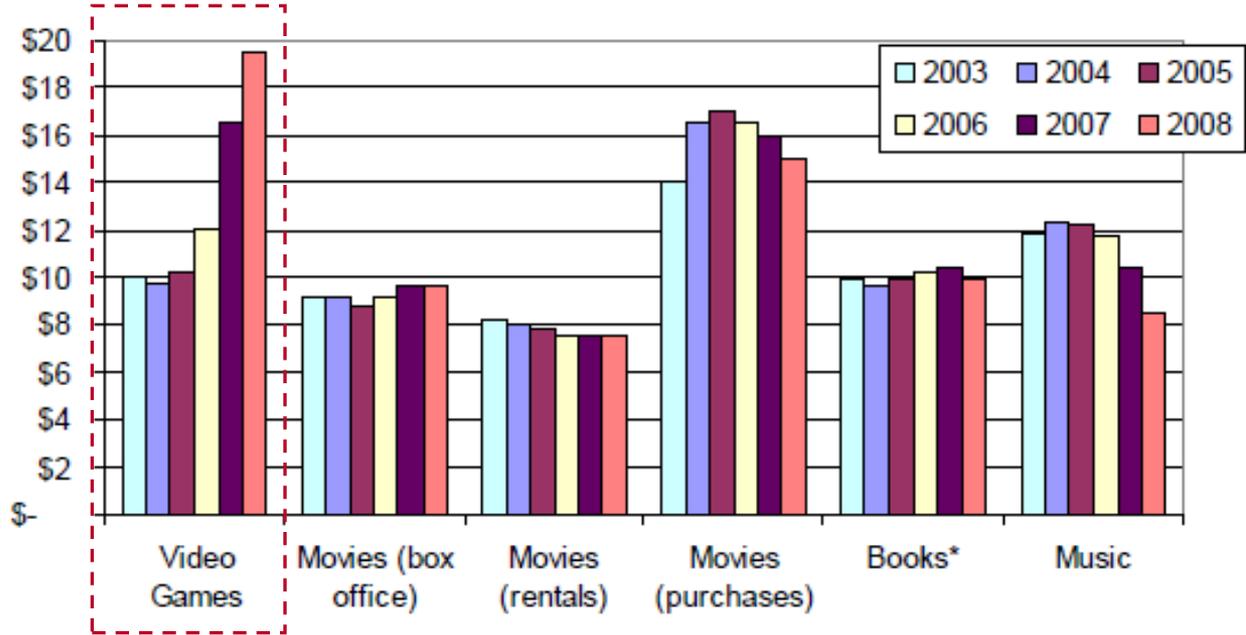
- Macroeconomic weakness and uncertainty, which impacts consumer spending, advertisements and investment.
- Piracy: Illegal file downloading / disks.
- Free content available on the Internet, which lowers demand for premium titles.
- Platform incompatibility: Some hardware cannot play select software.
- High bar to produce sophisticated titles; costly and time-consuming to develop.

U.S. Interactive Entertainment Versus Other Entertainment Sectors

The U.S. Interactive Entertainment Sector Has Grown Substantially Since 2003, While Other Entertainment Sectors are Approximately Flat to Slightly Down

U.S. Entertainment Sectors

(\$ in Billions)



* Includes trade, book club, paperback, and other sales.

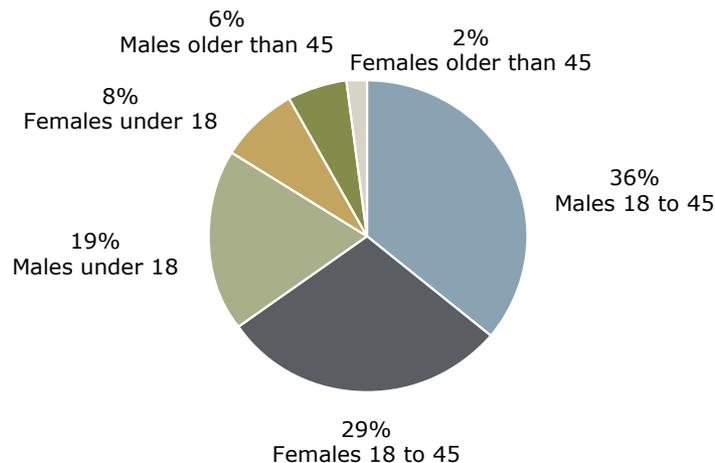
Source: Wall Street research

Interactive Entertainment Market Demographics

Although Interactive Entertainment Consumption is Well Distributed, Time Spent by 8- to 18-year-olds is Growing Dramatically

- 55% of the interactive entertainment market is comprised of males aged under 45.
- Women now represent 40% of game players and 48% of game buyers.
- Within the younger demographics (ages 8 to 18), time spent consuming video and computer games has increased dramatically over the past 10 years.
 - Video games use has increased from 26 minutes a day to 1 hour 13 minutes in a typical day.
 - Video games present 11% of media time allocation.

Interactive Entertainment Market Segmentation by Demographics (2009)

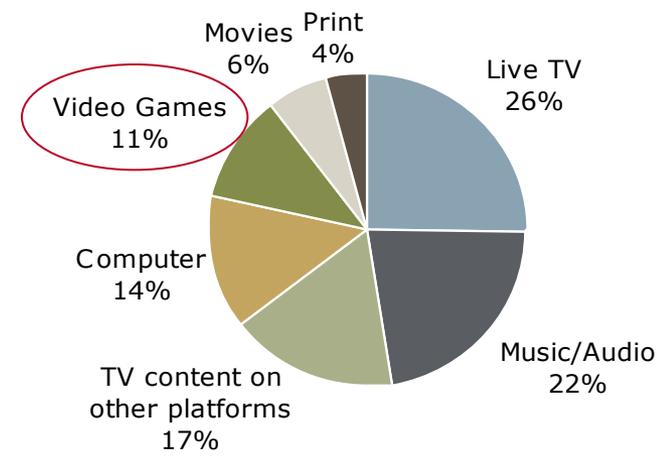


Media Use Over Time (8- to 18-year-olds)

(hh:mm)	1999	2004	2009
TV Content	3:47	3:51	4:29
Music/Audio	1:48	1:44	2:31
Computer ¹	:27	1:02	1:29
Video Games	:26	:49	1:13
Print	:43	:43	:38
Movies	:18	:25	:25
Total Media Exposure	7:29	8:33	10:45
Multitasking Proportion	16%	26%	29%
Total Media Use	6:19	6:21	7:38

¹ 19% of time is spent playing computer games
 Notes: **Total media exposure** is the sum of time spent with all media. **Multitasking proportion** is the proportion of media time that is spent using more than one medium concurrently. **Total media use** is the actual numbers out of the day that are spent using media, taking multitasking into account.

Media Time Allocation Among 8- to 18-year-olds



Source: IBISWorld, January 2010; Kaiser Family Foundation, January 2010

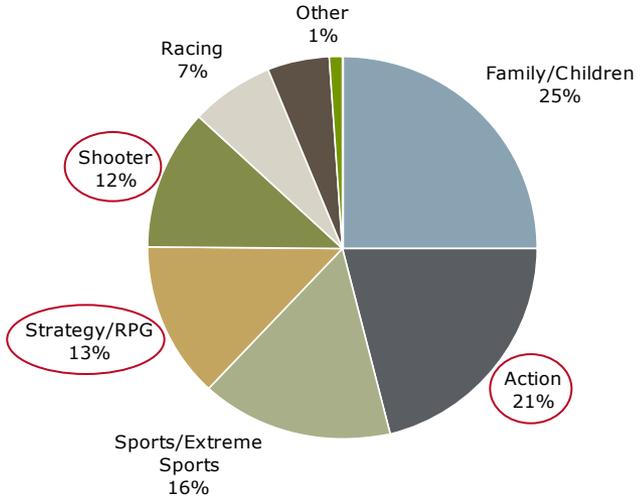
Interactive Entertainment Software Market by Genre

Growth in the Family / Children Segment has Been Driven by Music Themed Games Such as *Rock Band* and *Guitar Hero*

U.S. Interactive Entertainment Software Market by Genre

	2001	2002	2003	2004	2005	2006	2007	2008
Family/Children	9%	8%	9%	9%	8%	9%	22%	25%
Action	19%	26%	27%	30%	31%	25%	20%	21%
Sports/Extreme Sports	21%	17%	17%	17%	17%	17%	16%	16%
Strategy/RPG	24%	18%	17%	17%	16%	20%	16%	13%
Shooter	10%	9%	11%	13%	11%	12%	14%	12%
Racing	10%	13%	9%	7%	10%	9%	6%	7%
Fighting	5%	5%	6%	5%	4%	4%	4%	5%
Other	1%	2%	3%	2%	2%	2%	1%	1%
Simulations	2%	2%	2%	1%	1%	1%	1%	0%
Total	100%							

2008 U.S. Interactive Entertainment Software Market by Genre



Source: Wall Street research

Online PC Gaming in the United States

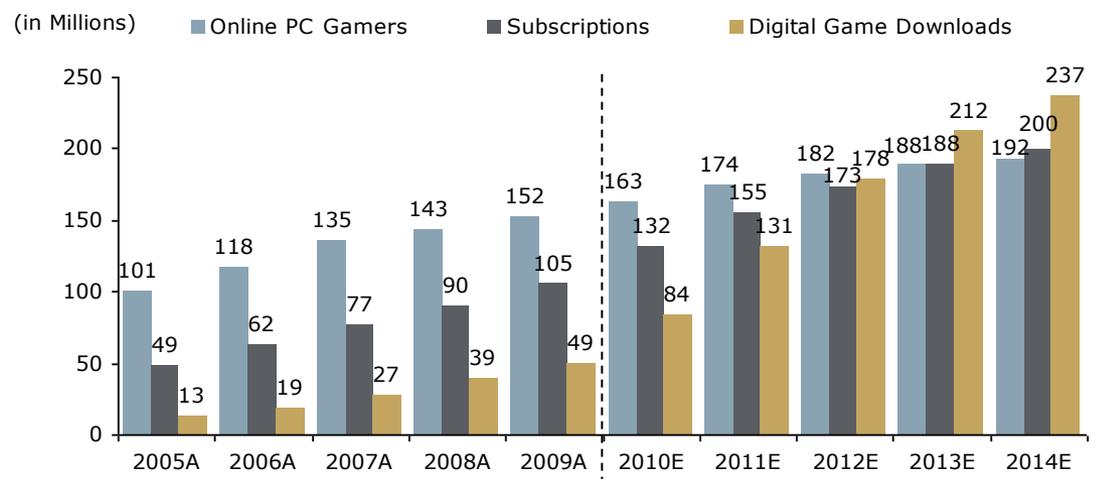
The market for online PC gaming continues to advance, with more than 190 million Americans, or approximately 60% of the population, forecasted to play some kind of online PC game by 2014.

Core business models include premium monthly subscriptions mainly associated with virtual worlds and Massively Multiplayer Online Games (“MMOs”), paid digital downloads, and advertising and micro-transactions (i.e., sub-\$5 virtual item purchases).

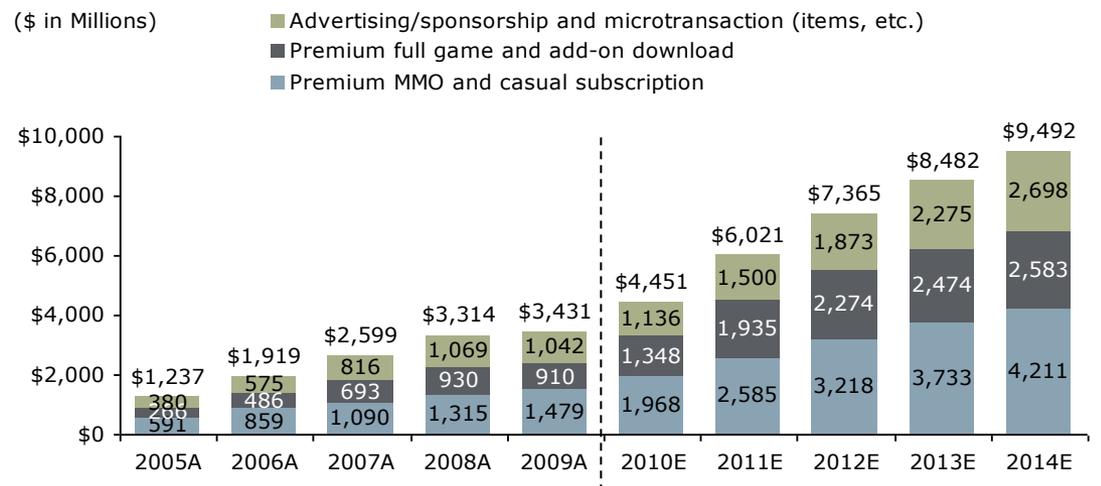
Digital game downloads (i.e., purchased full game and add-on downloads) are expected to grow the fastest, reaching 237 million downloads in 2014, a 36.9% compounded annual growth rate from the 49 million in 2009.

U.S. online PC gaming revenue is expected to reach \$9.5 billion in 2014, a CAGR of 22.6% from 2009.

U.S. Online PC Gaming Subscribers and Purchased Digital Game Downloads



U.S. Online PC Gaming Revenue



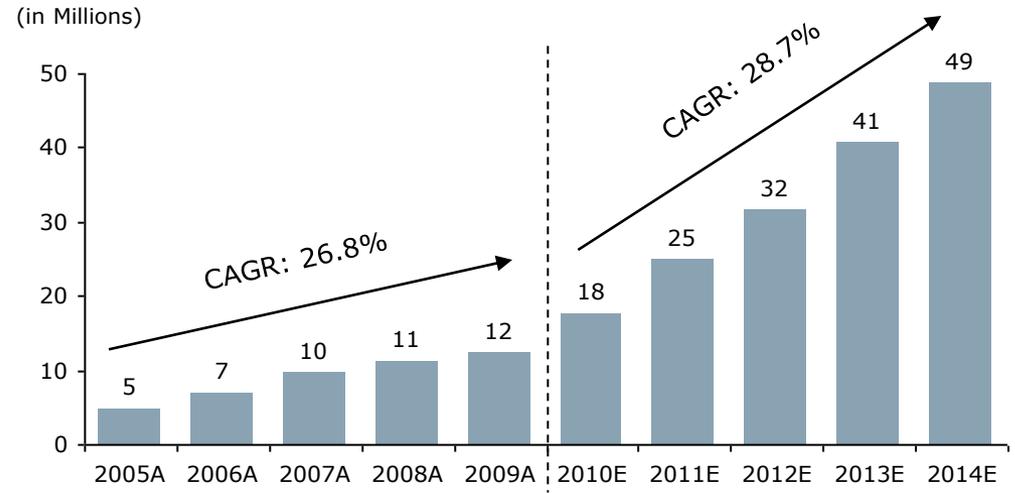
Source: IDC, March 2010

Strong Growth in Massively Multiplayer Online Games is Expected to Continue

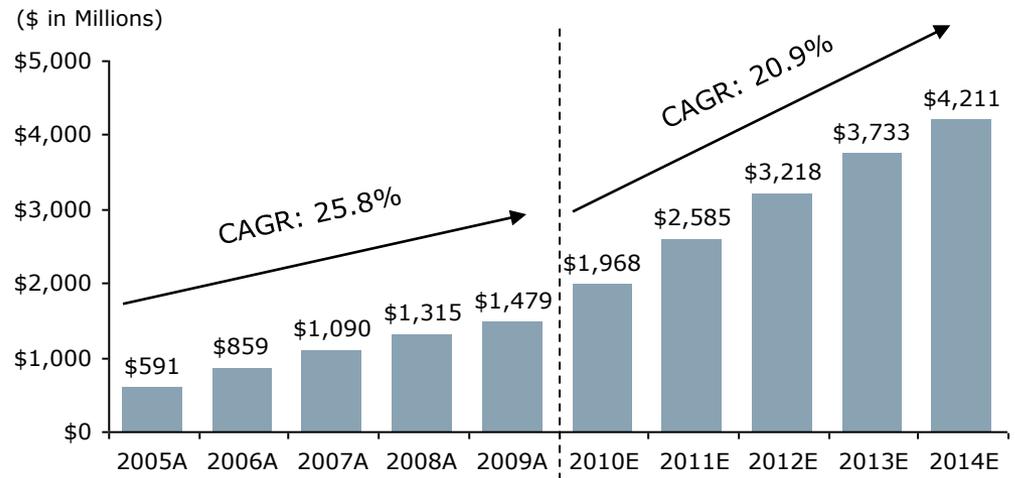
The number of paid monthly subscriptions (including MMOs and casual gaming subscriptions) has historically grown at a CAGR of 27% and is projected to grow rapidly at a CAGR of 29%, from about 18 million in 2010 to nearly 49 million by 2014.

Revenue from MMO and casual subscriptions is projected to double, increasing from \$2.0 billion in 2010 to \$4.2 billion in 2014.

U.S. Premium MMO and Casual Subscriptions



U.S. Premium MMO and Casual Subscription Revenue



Source: IDC, March 2010

- Large, growing addressable markets
- Substantial progress on game development
 - Past track record of success
 - Experienced production managers and staff
 - On track with schedule
 - Disciplined development process
 - Electronic Arts validation
- Opportunity for Intellectual Property-based product line extensions
- Complete, experienced executive management team
- Ability to hire and retain talented, creative professionals
 - Corporate culture
 - Pay, benefits and working environment

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