

# Prepaid Game Card Brief

## 2Q10

In this brief we discuss 2Q10 prepaid game card sales trends, provide an industry outlook, and summarize key news events. This update builds on the research series started with the *Prepaid Game Card Primer* (June, 2010).

You may also be interested in the *Prepaid Game Card Survey*, our extensive research study on the prepaid game card audience involved 10,000+ respondents.

## Market Update

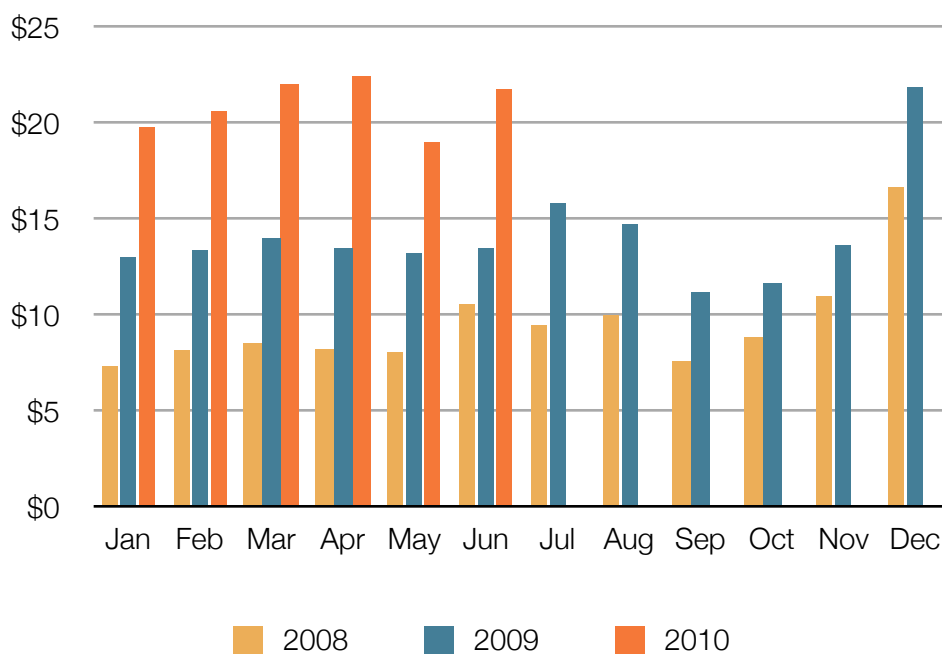
### The Good

- ★ Q1-Q2 sales increased **+1.3%**, despite disappointing numbers for May.
- ★ Sales exceeded forecasts for the months of April (**+5.6%**) and June (**+2.6%**).
- ★ Year-over-year our data indicates a growth of **+56.1%** for the entire sector (up from +53.7% previously).

### The Not-So Good

- ★ May declined **-9.0%**. While May is usually among the softer months in the first six months, the lower-than-expected sales caught publishers off-guard. We suspect the aggressive push by social network developers is depressing audience growth for individual publishers. In particular the 'dress-up' category suffered big losses, but managed to recover in June.

Monthly Prepaid Game Card Sales, North America (\$ mil)



U.S. Prepaid Game Card Revenue (mil \$)

	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Sales (mil \$)	8.0	18.0	54.5	113.8	168.8	263.5	329.7	390.6	449.2	503.1
YoY Growth (%)		125%	203%	109%	48%	56%	25%	19%	15%	13%

## Outlook

- ★ We are adjusting our forecasts for 2010E year-end to \$264MM, up +1.8% from our previous estimates.
- ★ Based on our current data, we remain positive about the sector's growth potential, and estimate a total market size of \$503MM for 2014E.
- ★ From our conversations with several company executives, we expect Facebook to release a branded prepaid card in 4Q10. In May, Facebook signed the most successful social game developer Zynga on the platform into a 'strategic relationship' for 5 years. Effectively, this keeps Zynga's plans to go it alone at bay, and ensures a continued revenue stream from the publisher. On August 1, 2010, Facebook will also close its virtual gift store, in a move to make its "Facebook Credits" a universal currency. The Facebook brand to be strong enough to persuade mainstream shoppers to buy its prepaid cards, similar to the model used by Apple's iTunes card.

## Major Headlines

### Meteor Games partners with GMG Entertainment.

As one of several social game developers looking to monetize their customer base by offering various payment methods, Meteor Games announced a partnership with GMG Entertainment. Meteor's *Island Paradise*, a game in which people build their own tropical paradise, claims around 2 million daily users.

### Hi-media Payments/Allopass.

After entering the U.S. market in February, Allopass teamed up with InComm's Zeevex in June. Allopass, owned by Hi-media Group, has a lot of experience in the European market and this agreement is part of its international expansion strategy. In addition to interactive entertainment, Hi-media's client base also includes traditional media companies, dating sites and newspaper archives.

### Zeevex continues to sign game publishers.

On June 17 Zeevex announced having signed agreements with several developers, including Ever Dream Studios, AllGirlArcade.com (Fuel Industries), Automatic Games, Guild Software, and mEgo.com. After its acquisition by InComm, Zeevex is expected to focus on expanding its stable of clients.

### Vindicia integrates InComm.

To expand portfolio of billing solutions, Vindicia entered into an agreement with InComm to provide prepaid cards as part of its "Cashbox." In July Vindicia raised \$7.5MM in its fourth round, totaling \$21MM to date. Investors include Bertelsmann Digital Media Investments, DCM, Leader Ventures, and ONSET Ventures.

## Methodology

All market estimates, revenue cycles, and sales figures are estimates based on our proprietary dataset. SuperData licenses sales numbers from 15 online entertainment companies, which includes virtual worlds, MMOs, and social networking games. Our numbers do not include any prepaid card sales related to iTunes or the iPhone app store (e.g. games), even though this represents a substantial number of sales relevant to the gaming industry.

In addition to our quantitative sources, we conducted a series of interviews and conversations with executives from several of the companies mentioned in this report.

Numbers are subject to change, as more information becomes available. SuperData strives to continuously improve available data and assumptions.

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