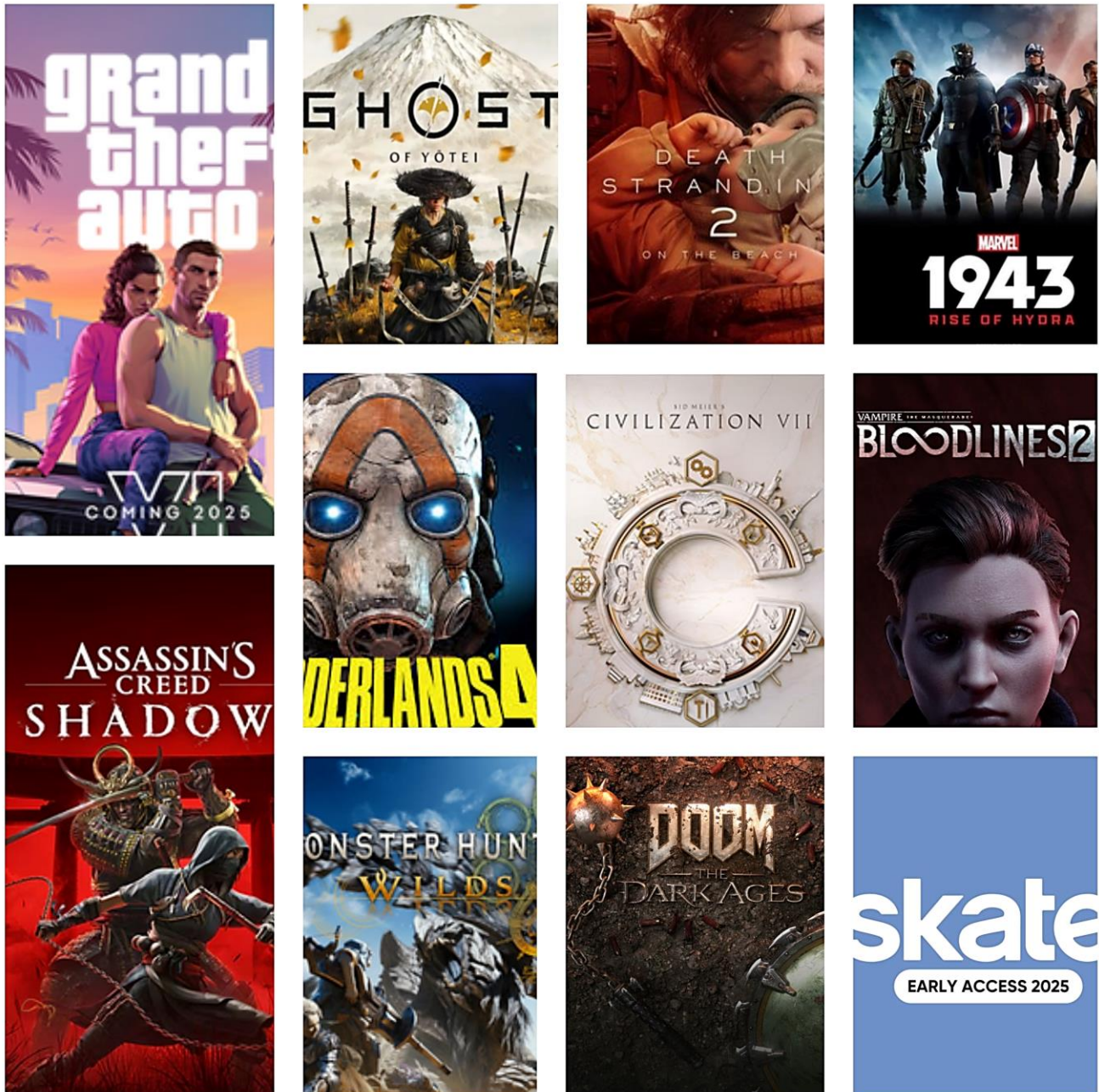




The Video Game Industry

2025 Preview: An Iconic Year



Source: Company Websites

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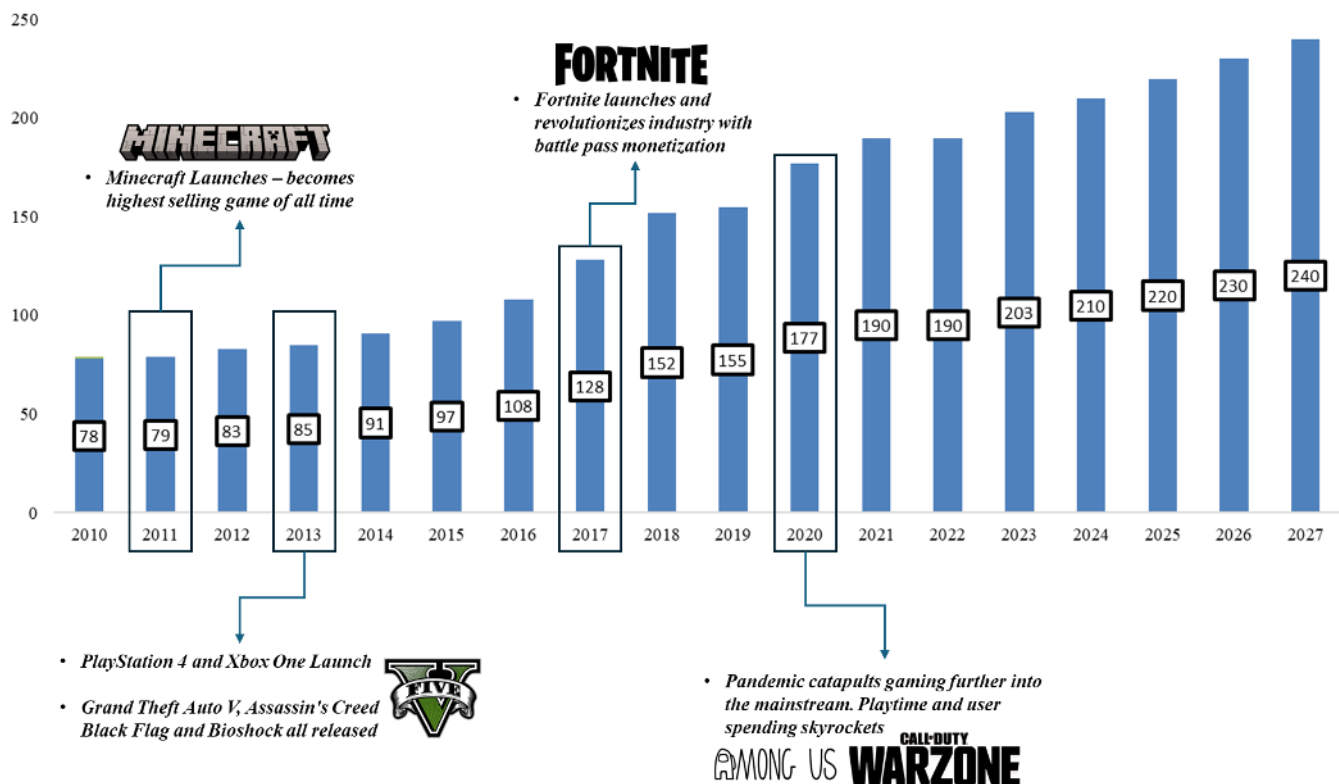
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Overview

2025 is shaping up to be a landmark year for the video game industry, with a lineup that could rival some of the industry's most iconic years such as 2004, 2007, and 2013. While delays are always a possibility, the upcoming year promises to deliver highly anticipated sequels from major franchises, including *Grand Theft Auto VI*, *Assassin's Creed Shadows*, *Borderlands 4*, *Doom: The Dark Ages*, *Civilization 7*, and *Monster Hunter Wilds*. The excitement will only intensify with the upcoming releases of new consoles, such as Nintendo's rumored Switch 2 and the PlayStation 5 Pro, which should hit the market in Early 2025 and November 2024 respectively.

Growth has slowed substantially in the industry since pandemic era, but 2025 could prove to be the spark needed to get back to full steam. In 2023, the global video game market hit an impressive milestone, reaching approximately \$200 billion for the first time - near doubling since 2016. This robust growth has largely been fueled by the surge in mobile gaming, broader accessibility to gaming platforms, and the growing popularity of streaming. While the market has experienced steady upward momentum, periodic corrections have reflected shifts from factors like consumer behavior and economic influences. Looking ahead, the industry is expected to continue expanding, albeit at a slower pace, until new technological advancements like cloud gaming and widespread subscription services drive the next major growth wave.

Exhibit 1 Global Video Game Market Revenue 2010-2027P (\$, Billions)



Source: Gabelli Funds, Newzoo, Company Presentations

2025 Industry Release Slate

As previously mentioned, 2025 should see some of the biggest video game releases in the past decade.

- ***Grand Theft Auto VI (TTWO)***: Leading the pack is the most anticipated game of all time, *Grand Theft Auto VI*, from Rockstar Games. This will be the sixth installment to the franchise which has sold-in over 430M copies since its inception in 1997. The latest installment, *Grand Theft Auto V*, launched in 2013 and has sold in over 200M units since release. Additionally, that title reached \$1B in retail sales within three days of launch, making it the fastest-selling entertainment product to hit that mark. The next iteration is set to launch at some point in 2025 and should break numerous industry records. **(More on GTA VI on Page 3)**
- ***Assassin's Creed Shadows (UBI-FR)***: Ubisoft's next installment to its giant *Assassin's Creed* franchise is set to come in February 2025. The franchise is one of the highest selling of all time with over 200M units sold. The last installment, *Valhalla*, released in 2020 and become Ubisoft's second highest grossing game ever with over \$1B in revenue (as of 2022). The new installment *Shadows* has been the subject of much controversy for its choices of portraying Japanese history. The game will also directly compete with another Samuri title from Sony, *Ghosts of Yotei*, which many already see as a superior title.
- ***Sid Meier's Civilization VII (TTWO)***: The Civilization franchise has been massively successful, selling over 73M copies since its inception in 1991. The latest version, *VI*, launched in 2016 and became the fastest selling iteration in the series (over 1M copies sold in first week). Estimates put that title at over 5M units sold to date, showcasing the franchise's dominate position in the strategy genre.
- ***Borderlands 4 (TTWO)***: *Borderlands* is another massive franchise for TTWO, with the series selling in over 87M units to date. The last version, *Borderlands 3*, sold over 20M units since release in 2019. The upcoming version will be the first time TTWO will release the game with full control over development and launch (after the Gearbox development studio acquisition in early 2024).
- ***Monster Hunter Wilds (9697-TO)***: The *Monster Hunter* franchise originally sold well in Japan and other Asian countries. Capcom released *Monster Hunter: World* in 2018 with the aim of making the franchise a worldwide name. The game was a success, selling over 50M units since its launch (70% of sales outside of Japan). The franchise has now become global, setting the stage for another massive launch next year.

Table 1 Scheduled Video Game Releases 2025

<u>Game</u>	<u>Release</u>	<u>Publisher</u>	<u>Ticker</u>	<u>Franchise Lifetime Sales (Units)</u>
<i>Sid Meier's Civilization VII</i>	2/11/2025	Take Two Interactive	TTWO	73,000,000
<i>Assassin's Creed Shadows</i>	2/14/2025	Ubisoft	UBI-FR	200,000,000
<i>Like a Dragon: Pirate Yakuza in Hawaii</i>	2/21/2025	Sega	6460-TO	21,000,000
<i>Monster Hunter Wilds</i>	2/28/2025	Capcom	9697-TO	100,000,000

Table 2 Unscheduled Video Game Releases 2025

<u>Game</u>	<u>Release</u>	<u>Publisher</u>	<u>Ticker</u>	<u>Franchise Lifetime Sales (Units)</u>
<i>Anno 117: Pax Romana</i>	2025	Ubisoft Entertainment	UBI-FR	10,000,000
<i>Borderlands 4</i>	""	Take Two Interactive	TTWO	87,000,000
<i>Call of Duty 2025</i>	Q4'25	Activision	MSFT	500,000,000
<i>Death Stranding 2: On The Beach</i>	2025	Sony	SONY	6,000,000
<i>Doom: The Dark Ages</i>	""	Bethesda Softworks	MSFT	15,000,000
<i>EA FC 26</i>	Q4'25	Electronic Arts	EA	325,000,000
<i>Ghost of Yotei</i>	2025	Sony	SONY	13,000,000
<i>Grand Theft Auto VI</i>	""	Take Two Interactive	TTWO	430,000,000
<i>Madden 26</i>	Q4'25	Electronic Arts	EA	130,000,000
<i>Mafia: The Old Country</i>	""	""	""	34,000,000
<i>NBA 2K26</i>	Q4'25	Take Two Interactive	TTWO	150,000,000
<i>Skate</i>	2025	Electronic Arts	EA	16,000,000
<i>Vampire: The Masquerade - Bloodlines 2</i>	""	Paradox Interactive	PDX-SK	N/A

Denotes a Non-Annual Major Release Title

Source: Gabelli Funds, Public Data

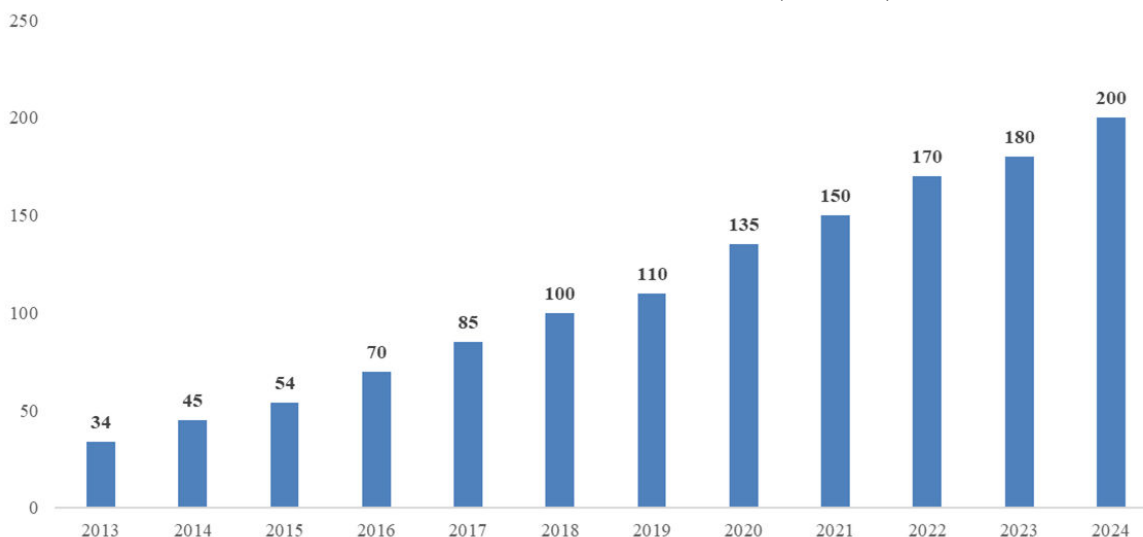
The Big Kahuna – *Grand Theft Auto VI (GTA VI)*

The anticipation surrounding *GTA VI* is unprecedented, as fans have waited nearly a decade since *GTA V* redefined the open-world genre. The upcoming release from Rockstar Games is expected to set new industry standards, likely shattering sales records within hours of launch. Both industry experts and investors anticipate it will outperform *GTA V*, which set a high bar by grossing \$1 billion in just three days. This time, *GTA VI* aims not only to extend Rockstar's legacy but also to reshape the future of gaming, thanks to rumored advancements in AI, graphics, and an evolving online world.

Additionally, this launch marks the first time a *Grand Theft Auto* title will debut at a \$70 base price, and some speculate Rockstar may price it even higher, given the game's immense reputation. Estimates suggest *GTA VI* could sell between 35 million and 40 million units in its first year—a feat achieved by around ten video game titles (more on Page 4). There is always a possibility that this game gets delayed into 2026 given the franchise's past trends, but this should have no impact on unit sales. Everyone is eagerly awaiting any further news on this game from Rockstar since the company has been radio silent since the original trailer released in December 2023.

Exhibit 2

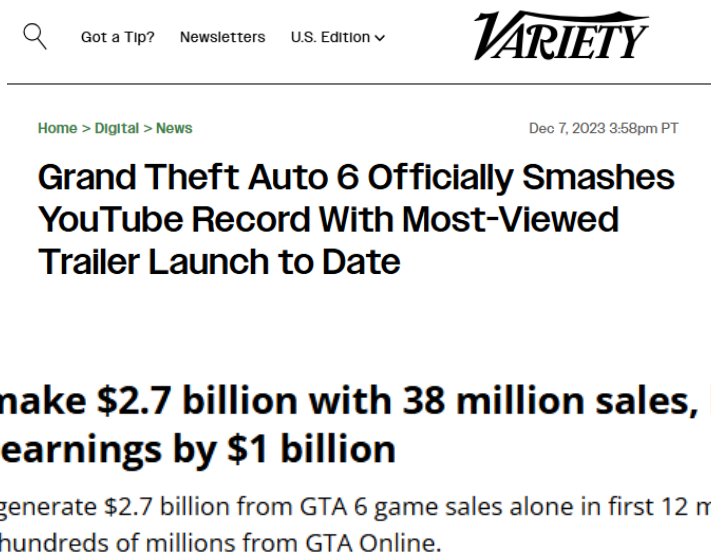
GTA V Cumulative Unit Sales (Millions)



Source: Gabelli Funds, Company Presentations

Exhibit 3

GTA VI Examples of Media Hype



Home > Digital > News

Dec 7, 2023 3:58pm PT

Grand Theft Auto 6 Officially Smashes YouTube Record With Most-Viewed Trailer Launch to Date

GAMING

GTA 6 to make \$2.7 billion with 38 million sales, beat GTA 5 first-year earnings by \$1 billion

Rockstar could generate \$2.7 billion from GTA 6 game sales alone in first 12 months on market, and potentially hundreds of millions from GTA Online.

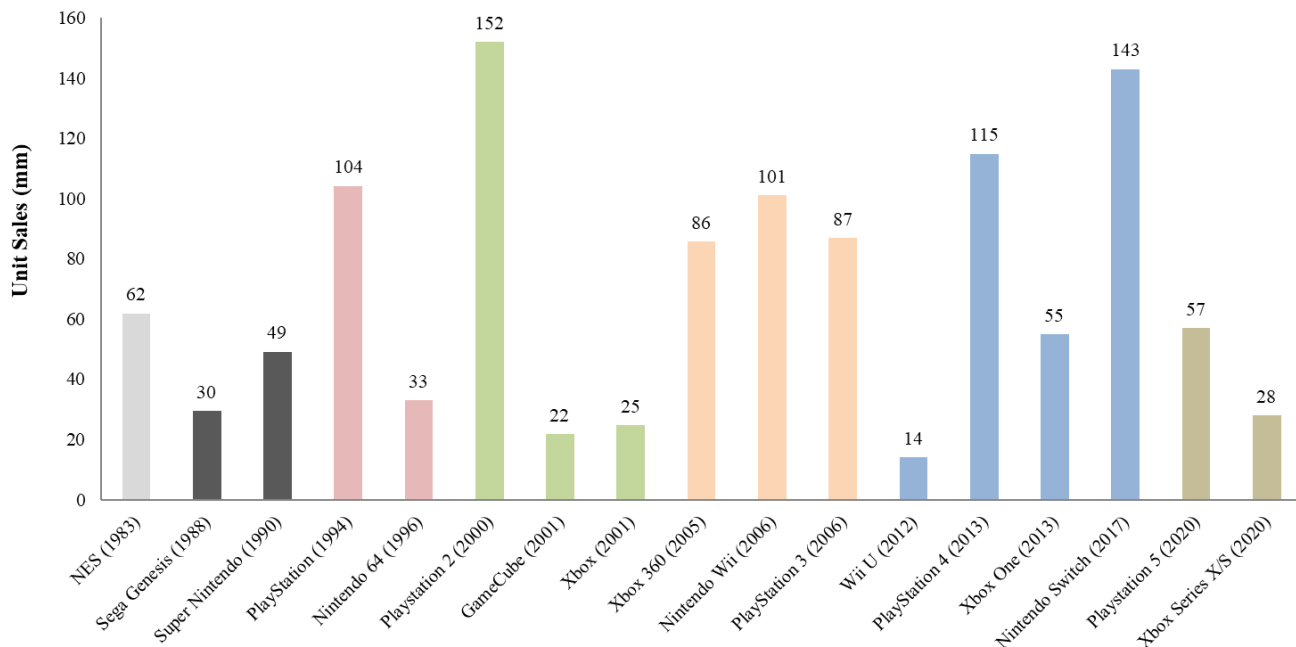
Source: Variety, Tweaktown

Back of the Napkin Way to Estimate First Year Unit Sales of a Title like *Grand Theft Auto VI*

To gauge the sales potential of a new console-first video game title from an established franchise, it's essential to start with historical unit sales from previous installments, as these offer insight into the franchise's earnings power. However, titles in long-running franchises are often released years apart, meaning each title may launch in a vastly different market environment.

One of the clearest examples of a shifting environment is seen in the console industry. When *Grand Theft Auto V* launched in 2013, there was an install base of around 110 million PlayStation 3 and Xbox 360 consoles, representing the total addressable market at that time. In its first year, the game sold 33 million units, achieving an attach rate of about 30%. For comparison, by the 2025 holiday season (when *GTA VI* is anticipated), there should be an install base of approximately 75 million PlayStation 5 consoles (below Sony's initial target of 80 million) and roughly 40 million Xbox Series X/S consoles. Additionally, many of the estimated 60 million players still using PlayStation 4 and Xbox One consoles are likely to upgrade to play *GTA VI*, conservatively creating a total addressable market of around 115 million units. Using the attach rate of *GTA V* (30%) as a guide, this could result in approximately 35 million units sold in *GTA V*'s first year.

Exhibit 4 **Lifetime Console Unit Sales (Units, mm)**



Source: Gabelli Funds, Company Presentations

However, since 2013, the gaming market has grown substantially (approximately 150%). Additionally, cumulative sales for *GTA V* have topped 200 million units, compared to around 22 million for *GTA IV* before *GTA V*'s release. This franchise growth has been further bolstered by *Grand Theft Auto Online*, which has generated over \$3 billion in microtransactions, and has helped retain an active monthly user base of more than 30 million players. That 35M unit estimate in the first year can be seen as very conservative when taking into account these two points.

Social media also plays a significant role. Unlike previous installments, *GTA VI* will launch in a world where platforms like TikTok, YouTube, and streaming channels amplify game reach and fan engagement, adding to the potential hype and subsequent unit sale performance.

This approach provides a straightforward way to estimate first-year sales for *GTA VI*, while keeping in mind that the title's eventual PC launch will further expand its addressable market and sales. Additionally, Rockstar has kept details about a new *GTA Online* version under wraps, making it difficult to forecast accurately without more information.

New Hardware Incoming!

- **PlayStation 5 Pro (SONY):** Sony's PlayStation 5, launched on November 12, 2020, at \$499 for the standard model and \$399 for the digital edition, has achieved success, selling over 56 million units globally. As we hit the midpoint of this console generation, Sony is set to release the highly anticipated PlayStation 5 Pro on November 7, 2024, priced at \$699.99. The release of the Pro model comes as demand for next-gen experiences grows, and the 2025 slate of games is expected to drive an increase in overall PlayStation 5 sales as consumers seek the best hardware to enjoy these new releases fully.

Exhibit 5

Sony PlayStation 5 Pro



Source: Sony

- **Nintendo Switch 2 (NTDOY):** Nintendo launched its Switch console on March 3, 2017. Since then, it has gone on to become the third highest selling console of all time, with over 143M units sold to date. Since its original release, the company has launched additional versions such as the Nintendo Switch Lite and the OLED model. Rumors have swirled since early 2023 that a successor console was under development by Nintendo, which is natural since the original version has begun to run out of steam. On May 7, 2024 Nintendo's president Shotaro Furukawa stated that the Switch's successor (called the Switch 2 by consumers) will be announced during the company's 2025 fiscal year (FYE 3/31/25). We expect an announcement in late 2024 followed by a launch at some point in 2025, fueling further growth in the industry next year.

Exhibit 6

Nintendo Switch 2 Remains a Mystery



Source: Nintendo



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