2011 ESSENTIAL FACTS

About the Canadian Computer and Video Game Industry

esa
entertainment software
association of canada

WHAT'S INSIDE?

All data in this document is from Secor Consulting Group's *Canada's Entertainment Software Industry in 2011* unless otherwise noted. This report was commissioned by the **Entertainment Software Association of Canada (ESAC)** and gathered quantitative and qualitative data from computer and video game companies across Canada, including developers, publishers, and other key industry players. Saskatchewan does not appear in this report because although a few companies from the province were identified as industry participants, no responses to the survey were received. Accordingly, those companies, and the province were removed from the data analysis to avoid giving analytical results without any actual data.

SECOR is Canada's leading independent strategy and organizational consulting firm. For the last 35 years, SECOR has helped senior executives to develop and implement their organizational strategies. SECOR has offices in Montréal, New York, Paris, Québec, Toronto and Vancouver. For more information visit www.secorgroup.com

This document also contains data from NPD Group's *2010 Understanding the Canadian Gamer*. The survey was commissioned by ESAC and gathered data from 2,579 Canadian adults, 398 Canadian teens (13-17) and 547 kids (6-12). The margin of error associated with he total samples is +/- 1.6, 19 times out of 20.

The **NPD Group** is the leading provider of reliable and comprehensive consumer and retail information for a wide range of industries. Today, more than 1,700 manufacturers, retailers, and service companies rely on NPD to help them drive critical business decisions at the global, national, and local market levels. NPD helps our clients to identify new business opportunities and guide product development, marketing, sales, merchandising, and other functions. Information is available for the following industry sectors: automotive, beauty, commercial technology, consumer technology, entertainment, fashion, food and beverage, foodservice, home, office supplies, software, sports, toys, and wireless. For more information, please visit: www.npd.com

DID YOU KNOW?

16,000

Approximate number of people directly employed in the Canadian video game industry
Compared to approximately 32,000 employees in the United States

3rd

Canada's video game industry's ranking in the world based on number of employees

$1.7 billion

estimated direct economic impact on the Canadian economy by the Canadian video game industry

348

Number of companies operating in Canada

11%

Industry growth over the past two years

17%

Projected growth over the next two years

WHAT ARE SOME OF THE DRIVERS OF CANADA'S SUCCESS?

A MADE-IN-CANADA INDUSTRY

The Canadian video game industry is responsible for creating some of the most recognizable game franchises in the world. Many of the most successful video games and video game companies were started in Canada by Canadians.

LIVEABILITY OF CANADIAN CITIES

Operating costs in Canada's major development clusters are significantly lower than the US, Europe and Japan. Canada's major cities offer desirable places for talent to live with culturally diverse populations, thriving downtowns, and generally affordable condominium and rental markets.

GOVERNMENT POLICIES AT BOTH THE FEDERAL AND PROVINCIAL LEVELS

Canada offers generally competitive corporate tax rates, and many provinces have introduced refundable tax credits for production of interactive digital media to encourage growth of the sector. Scientific Research and Experimental Development (SR&ED) tax credits also play a critical role in fostering technology-based innovation and advancements in the video game industry. Federal and provincial funding programs for digital media offer support for projects that might not otherwise obtain funding.

CANADA IS KNOWN INTERNATIONALLY FOR ITS STRONG BASE OF DIVERSE, CREATIVE AND WELL-TRAINED TALENT

60%
of Canadian gaming companies are expecting to hire new graduates in 2011

77%
expect to hire new grads by 2013

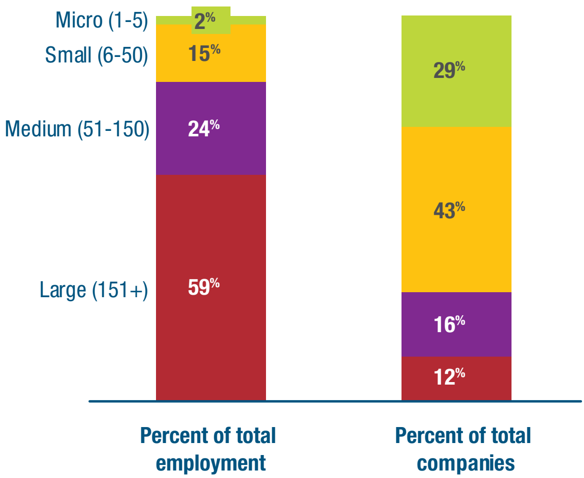
As a multicultural country, there are significant language and cultural overlaps with the United States, Europe, and Asia, which enables the Canadian developers to produce content for the global market.

Canadian educational programs, particularly at the college and university levels, produce well-trained graduates. However, as our industry grows, we face an increasing shortage of experienced talent across all job categories.

INDUSTRY STRUCTURE AND SIZE

- Canada's video game industry is comprised of a healthy mix of companies of different sizes and with differing concentrations on particular platforms including traditional console games and newer platforms such as social games or games for mobile devices

- Most employees in Canada's video game industry work at large companies (more than 150 employees), but there's many small and medium companies as well, with 148 of them averaging only 16 employees each

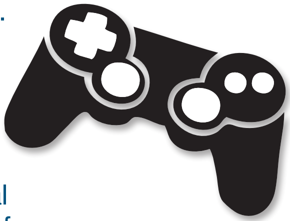


CANADIAN QUICK FACTS BY COMPANY SIZE

	Average No. of Employees	Total Employees	Total No. of Companies	Percent of Total Employment	Percent of Total Companies
Micro	3	292	101	1.9%	28.8%
Small	16	2312	149	14.7%	42.7%
Medium	67	3842	57	24.4%	16.4%
Large	221	9272	41	59.0%	12.1%
TOTAL		15,718	348		

INDUSTRY STRUCTURE BY PLATFORM

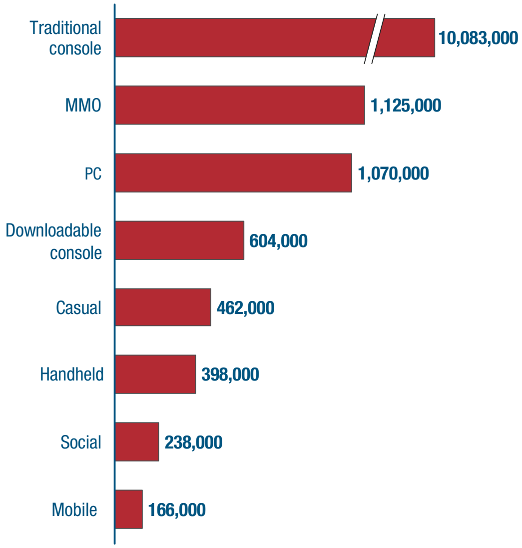
- The Canadian industry remains concentrated around traditional console game development and publishing with 68% of all employees work on games for this platform. This, however, is changing rapidly



- The share of overall resources dedicated to traditional console have been declining in response to rapid growth in resources dedicated to other platform types. Currently 2% of resources are dedicated to social gaming , 2% are dedicated to casual gaming, and 7% of resources are dedicated to mobile gaming
- The continuing dominance of traditional console games in comparison with other platforms, is the result of the very high amount of resources dedicated to this platform by a comparatively small number of companies
- The largest category is comprised of firms that focus on a number of platforms simultaneously—a fact that seems reflective of a time of industry evolution

AVERAGE COST AND TIME OF DEVELOPMENT BY PLATFORM

Thousands of CDN$

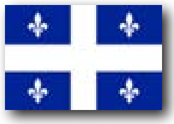


	Cost range		Time
N	Minimum	Maximum	Days
15	150,000	30,000,000	380
4*	50,000	3,000,000	438
23	15,000	15,000,000	368
17	20,000	3,000,000	261
22	2,000	8,000,000	152
12	32,000	2,300,000	151
17	6,000	1,400,000	197
33	2,000	3,200,000	96

*Note small sample size, results should be interpreted with caution

SELECTED PROVINCIAL PROFILES

QUEBEC

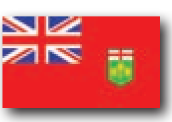


- » The province of Quebec has grown to be the dominant player in the Canadian video game industry
- » Almost one quarter of video game companies in Canada call Quebec home
- » Almost 70% of large video game companies in Canada are located in Quebec
- » Over half of the industry's jobs are located there, as is over half of estimated industry spending
- » The average number of employees per company is twice that of the Canadian average, reflecting the predominance of large companies in the province

Quebec in 2011	
Total Employees	8,236
Estimate spending in Quebec	$733m
Total Number of companies	86
Average number of employees / company	95
Historical growth	13%
Expected growth	16%

- » Quebec's industry growth rate is 13% per annum, slightly above the Canadian industry's average
- » Quebec's video game industry is primarily concentrated around traditional console games, which are the focus of an estimated 72% of the resources in the local industry. This percentage share, however, is dropping rapidly

ONTARIO



- » The structure of the industry in Ontario is a stark contrast to that of Quebec with significantly smaller employee numbers and economic activity

Ontario in 2011	
Total Employees	2,600
Estimate spending in Ontario	$238m
Total Number of companies	96
Average number of employees / company	27
Historical growth	20%
Expected growth	21%

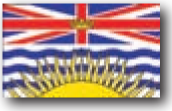
ONTARIO (CONT'D)

» Ontario is home to the greatest number of micro and small companies, housing approximately 30% of all companies in each category. Shares of total industry resources are going to games on mobile, social, and casual platforms more rapidly than in Quebec

» Ontario has more companies than Quebec and is seeing more rapid growth rates. This is likely a function of the smaller average size of Ontario video game companies, as entrepreneurial companies tend to exhibit faster growth than more established companies

» Ontario's industry is less centred on traditional console games, though they still command a slight majority share of the resources

BRITISH COLUMBIA



» In British Columbia, the number of employees and estimated spending are closer to those in Ontario than in Quebec

» There is a strong compliment of small and medium-sized companies, with a few large companies as well

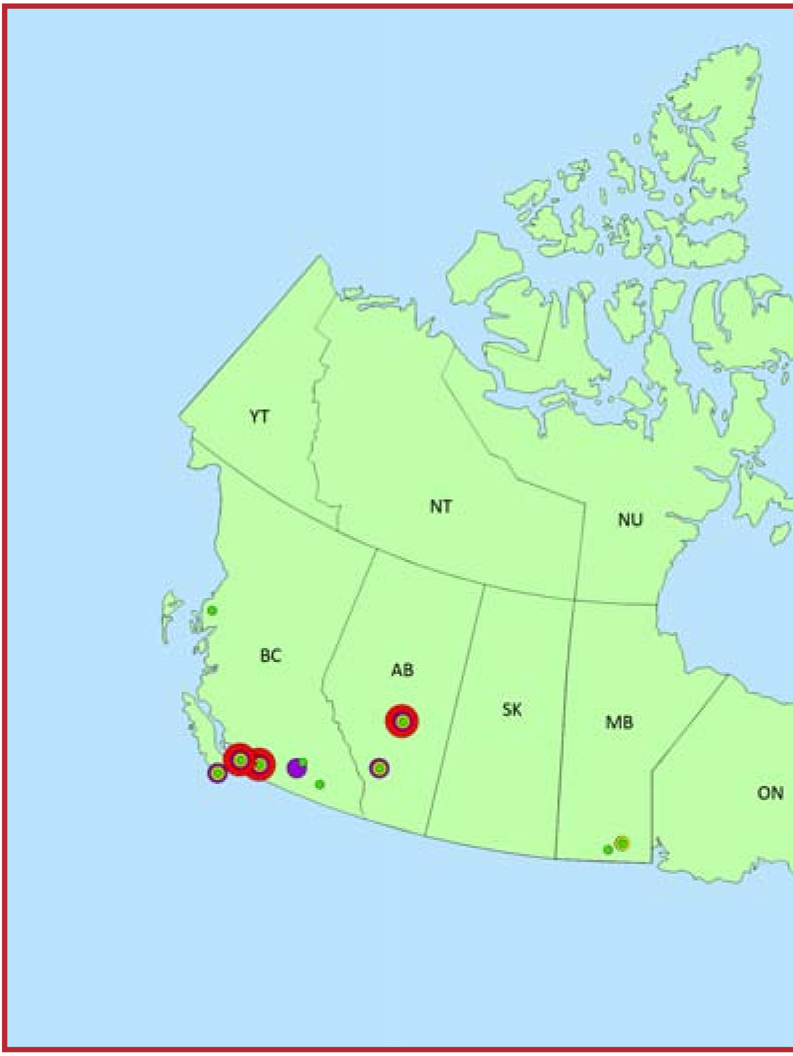
» Average employees per company are also mid-range

» BC's recent industry growth has been flat, although BC video game companies have some expectation of growth in the next couple of years (when compared with expectations for the broader economy)

» Expectations of better days ahead seem to be underlined by the fact that many skilled former studio employees have elected to start game companies of their own

British Columbia in 2011	
Total Employees	3,882
Estimate spending in BC	$393m
Total Number of companies	83
Average number of employees / company	47
Historical growth	0%
Expected growth	10%

THE INDUSTRY IN CANADA



COMPANIES BY SIZE AND PROVINCE

	Ontario	Quebec	BC	Alberta
Micro	34	9	14	14
Small	45	30	42	10
Medium	14	22	18	3
Large	3	26	9	3
TOTAL	96	87	83	30

Manitoba	Nova Scotia	PEI	NL	NB	Total
8	6	10	6	0	**101**
11	6	0	2	3	**149**
0	0	0	0	0	**57**
0	0	0	0	0	**41**
19	12	10	8	3	**348**

INDUSTRY IMPACT

The unique nature of video games as creative-technical productions means the industry cultivates and **develops a wide range of skills in technology, creative arts, and management** which have applications in architecture, medicine, and simulation subsequently driving ancillary economic activity

$62,000 vs. $29,000

Average annual salary for employees at Canadian video game companies versus the average salary of workers in the broader economy

Careers in Canada's video game industry include:

Art Director
Graphics/Special Effects Programmer
Art Technician
motion-capture technicians
arts and animation specialists
Level Designer
GAME DESIGNER
quality assurance personnel
game designers
3D Character Animator
Sound Engineer/Designer
Audio Programmer/Engineer
Intern Artist
game production experts
Level Builder
Fiction Writer or Screenwriter
Lead Tester
audio specialists
3D Cutscene Artist
Composer
GAME TESTER
Associate Producer
3D CHARACTER BUILDER
2D Texture Artist
Junior Programmer
Engine/Tools Programmer
business and marketing personnel
Lead Programmer
3D Model Builder (objects)
Project Manager
2D Conceptual Artist
legal staff members
Lead Designer
Producer
Associate Producer
Programmers
Artificial Intelligence Programmer
Audio Programmer/Engineer
MULTIPLAYER NETWORKING PROGRAMMER

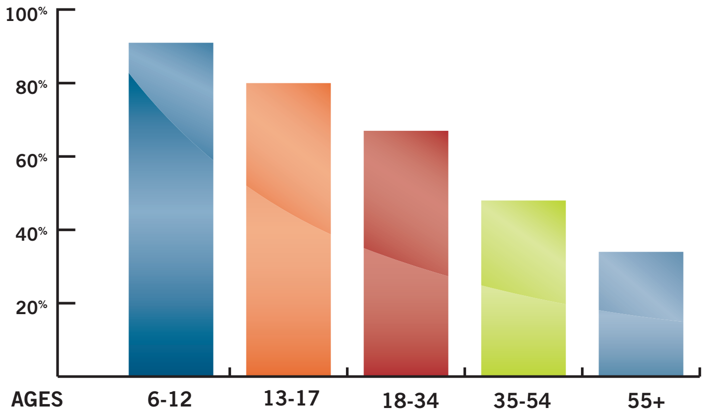
WHO IS PLAYING COMPUTER AND VIDEO GAMES?

59%
of Canadians are gamers

33
YEARS OLD
Average age of a Canadian gamer

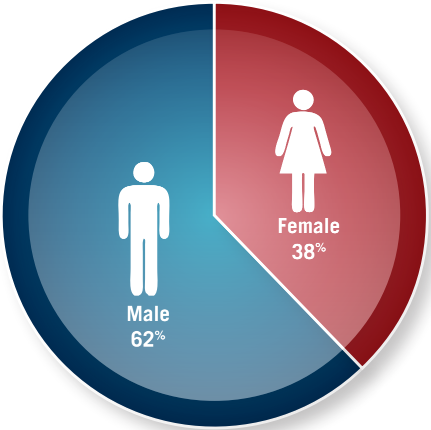
gamer: a person who has played computer or video games in the past four weeks

CANADIANS, BY AGE, WHO HAVE PLAYED A VIDEO GAME IN THE PAST 4 WEEKS



Source: NPD Group's 2010 Understanding the Canadian Gamer

WHO IS PLAYING COMPUTER AND VIDEO GAMES?



What types of games do adults (18+ years) like to play?

Men	Women
39% card, puzzle, arcade or word games	57% card, puzzle, arcade or word games
37% shooter games	41% games that challenge mental abilities
35% action/adventure	22% family oriented
30% sports games	18% strategy or role-playing games

What types of games do teenagers (13-17 years) like to play?

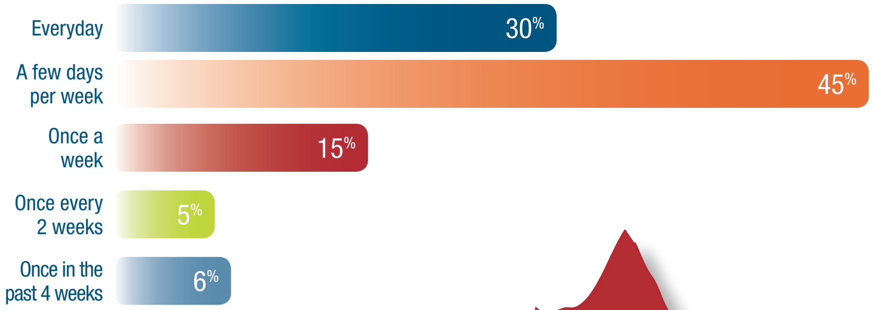
Teen Boys	Teen Girls
59% shooter games	43% music-based games
50% action/adventure	35% strategy or role-playing games
43% sports games	30% card, puzzle, arcade or word games
38% fighting	26% racing games

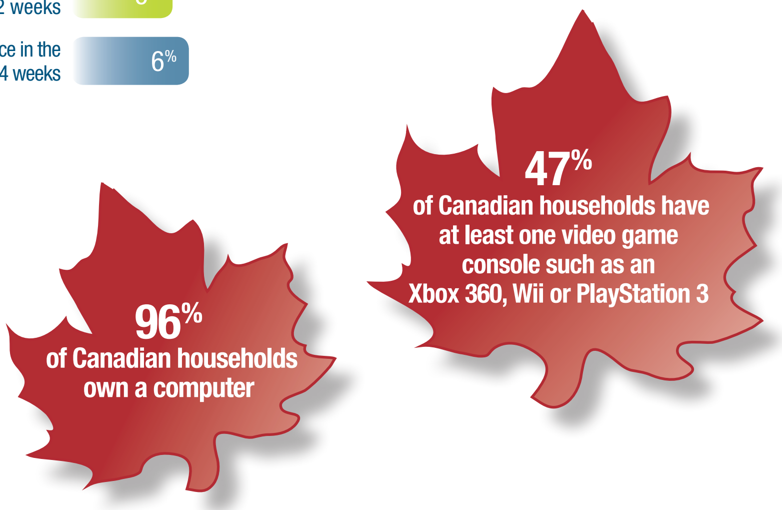
What types of games do children (6-12 years) like to play?

Boys	Girls
53% racing games	58% kid-oriented online role-playing games
41% action adventure games	34% games that challenge your mental abilities
34% sports games	29% racing games
30% strategy or role playing games	27% music-based games

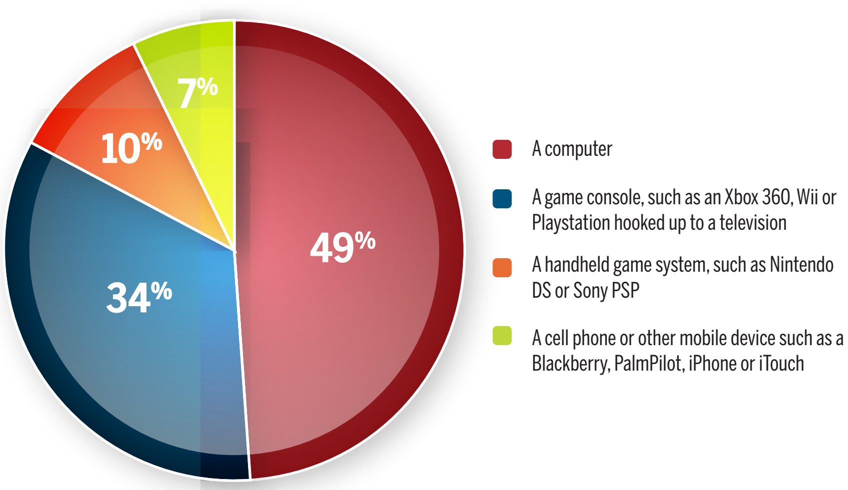
Source: NPD Group's 2010 Understanding the Canadian Gamer

HOW OFTEN DO CANADIANS PLAY?





ON WHAT PLATFORM DO GAMERS PLAY MOST FREQUENTLY?



Source: NPD Group's 2010 Understanding the Canadian Gamer

THE BOTTOM LINE

1.7 billion[1] - Canadian retail sales of entertainment software and hardware in 2010

$886 million[1] - console/handheld games

$79 million[1] – PC games

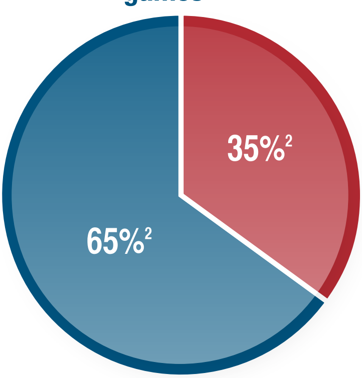
$513 million[1] – hardware

$279 million[1] – Peripherals

DIGITAL SALES

- The video game industry has developed online networks accessible through consoles (Xbox LIVE, Sony PSN) and PCs (Steam, Origin) which provide gamers with the ability to directly purchase and download stand-alone games as well as other add-on downloadable content, bypassing physical retailers. Games can also be accessed through web-based portals and social networking sites, and new "cloud gaming" services that "stream" gameplay through the Internet are emerging. Digital sales can include game subscriptions, mobile apps, social network games and full games available for download
- Digital sales comprise an increasing proportion of the revenues of game publishers

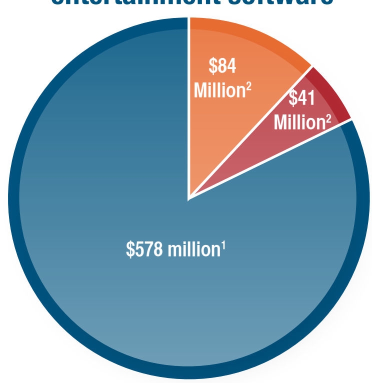
Aquisition of games*



Digital downloads

Purchased at physical retail outlet

Canadian Sales of entertainment software*



Digital

Retail - console/handheld games

Retail - PC games

*Between September 2010 and February 2011

1 Source: NPD Group's Monthly Games Report
2 Source: NPD Group's Video Game Aquisition in Canada

TOP SELLING COMPUTER AND VIDEO GAMES FROM JULY 2010 – JUNE 2011

RANK	TITLE	PLATFORM	ESRB RATING
1	CALL OF DUTY: BLACK OPS	360	MATURE
2	CALL OF DUTY: BLACK OPS	PS3	MATURE
3	HALO: REACH	360	MATURE
4	STARCRAFT II: WINGS OF LIBERTY	PC	TEEN
5	JUST DANCE 2	WII	EVERYONE 10+
6	DONKEY KONG COUNTRY RETURNS	WII	EVERYONE
7	GRAN TURISMO 5	PS3	EVERYONE
🍁 8	NHL 11	360	EVERYONE 10+
🍁 9	NHL 11	PS3	EVERYONE 10+
10	POKEMON WHITE VERSION	NDS	EVERYONE
🍁 11	ASSASSIN'S CREED: BROTHERHOOD	360	MATURE
12	FIT PLUS W/BALANCE BOARD	WII	EVERYONE
🍁 13	NHL SLAPSHOT W/ HOCKEY STICK	WII	EVERYONE
14	POKEMON BLACK VERSION	NDS	EVERYONE
15	NEW SUPER MARIO BROS. WII	WII	EVERYONE
16	WORLD OF WARCRAFT: CATACLYSM EXPANSION PACK	PC	TEEN
17	NEW SUPER MARIO BROS. DS	NDS	EVERYONE
18	KINECT SPORTS	360	EVERYONE 10+
🍁 19	ASSASSIN'S CREED: BROTHERHOOD	PS3	MATURE
20	SUPER MARIO GALAXY 2	WII	EVERYONE

🍁 Made in Canada titles

WHAT ARE ESRB RATINGS?

The Entertainment Software Rating Board (ESRB) is a non-profit, self-regulatory body that assigns computer and video game content ratings. The ESRB ratings are designed to provide consumers, especially parents, with concise, impartial guidance about the age-appropriateness and content of computer and video games so that they can make informed purchasing decisions about the games they deem suitable for their children and families.

83%

of parent gamers sometimes or always check the ESRB rating symbol on the game box when purchasing or renting video games for their children

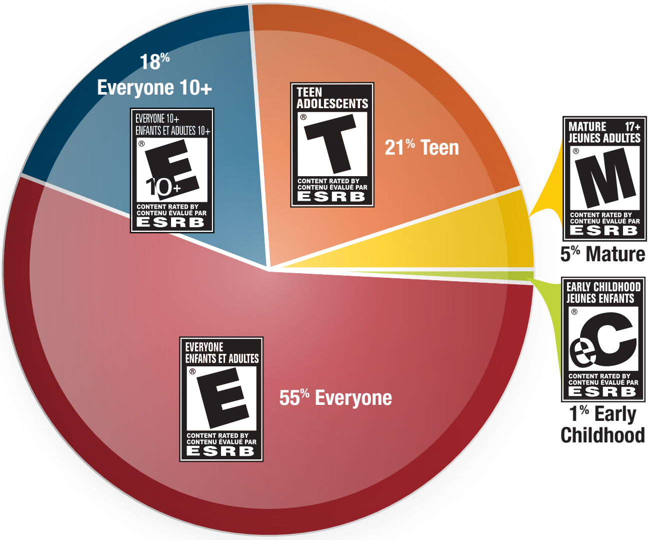
88%

of parent gamers sometimes or always use the content descriptors when purchasing games for their child

93%

of adult gamers agree that the ESRB rating system is very useful to help parents buy and rent age-appropriate games for their children

HOW MANY ESRB RATINGS WERE ASSIGNED IN 2010?



Note: The ESRB assigned 1,638 ratings in 2010. These figures include instances where a publisher revised and resubmitted a game with the intention of receiving a different rating.

For more information visit the ESRB website at www.esrb.org

WHO WE ARE

The Entertainment Software Association of Canada (ESAC) is the voice of the Canadian computer and video game industry that employs approximately 16,000 people at nearly 350 companies across the country. By contributing $1.7 billion in economic activity and cultivating workers with a combination of creative, technological and management skills, the video game industry is supporting Canada's position in the changing global economy. This dynamic and growing industry is currently the world's third largest and holds first place on a per capita basis based on employment levels in other countries. ESAC works on behalf of its members to ensure the legal and regulatory environment is favourable for the long-term development of Canada's video game industry.

ESAC MEMBERS

entertainment
software
association of canada

www.theesa.ca
Twitter: @ESACanada