

Dear Media Deals Readers,

Welcome to the **August-September edition** of the Media Deals newsletter, bringing you the latest in **mediatech investment news** as well as **market developments** (acquisitions, exits, strategic partnerships, etc.) and announcements of **new funds for startup and seed capital**.

This edition also features a preview of **2 upcoming ImMediaTe events**, one on the **protection of intellectual property rights in digital media**, to be held in late September, and the other on **mobile gaming**, which will be held in early November.

Additionally, our **“Spotlight On” section** provides an **overview of Berlin-based company mediapeers**, which is a B2B online platform that connects content owners and global distributors while this edition’s **“Industry Focus” features an in-depth Q&A with the CEO of Zattikka**, a fast-growing social network and smartphone games company that recently received a significant injection of second-round funding.

Finally, if you would like to **suggest a potential news item**, or if you are interested in learning more about our **European Mediatech Investment Forums** or any of our **other activities**, please send an e-mail to info@media-deals.org

All the best,

Your Media Deals Team

Upcoming ImMediaTe Events

Aiming to provide **tools and services to assist digital media SMEs operating in the creative industries**, Project ImMediaTe is organizing two events in the coming months.

The first event is entitled “**Valorization and Protection of IPR in Digital Media**,” which focuses on the intellectual property rights of creative talent. It will be held in **Amsterdam on 23 and 24 September**.

To **review this event’s programme**, go here:

<http://www.filasinternational.eu/immediate/news16.asp>

The **ImMediaTe Mobile Gaming Summit** is the second ImMediaTe event on the horizon. It will be held in **Malta on 3, 4, and 5 November** and will be an **international conference, showcase, and matchmaking forum** for companies and investors operating in the mobile gaming sector.

For **more information on the Summit**, contact Project ImMediaTe here:

<http://www.filasinternational.eu/immediate/contacts.asp>

SPOTLIGHT ON: mediapeers

Berlin-based **mediapeers was launched in 2007** by Dr. Holger Hendel, Torsten Oettel, and Dr. Moritz Veihweger with a **first round of financing lead by the T-Online Venture Fund**. Since its inception, it has grown its customer base to over 1,000 media companies worldwide and has **recently received an undisclosed amount of funding to continue expanding its presence** on the global market.

What is it?

mediapeers operates the mediapeers exchange platform (MPX), the leading online B2B marketplace for audiovisual content such as feature films, series, documentaries, and short-form offerings. It is a Web-based solution for global content trading, simplifying market access for content owners and assisting buyers in discovering exciting new material that meets their current needs. MPX significantly reduces transaction costs and the complexity of selling and buying licenses by offering a comprehensive software suite to manage, market, and deliver content.

Who are its potential users?

On the selling side: producers and rights-holder of professional content; distributors; film studios; broadcasters, etc. On the buying side: any company with a viable end-consumer business, e.g. TV channels, VoD platforms, cable operators, telcos, publishers, Web services, etc.

How does it generate revenue?

Sellers pay a success-based commission fee as a small fixed percentage of revenues generated over the mediapeers exchange while buyers pay for certain services, including technical services such as dubbing or transcoding if they choose to order these services.

Who are its competitors?

Companies like Ascent Media with its Global Media Exchange and Showrights; however, neither of these offer the full range of services that mediapeers can provide.

What makes it attractive for investors?

The content licensing market generates approximately €157 billion per year and mediapeers offers a scalable service that makes accessing this global market more cost-effective and efficient. Because of the growing fragmentation of content buyers, there is a need to leverage technology in order to maximize content licensing potential: the MPX platform provides that leverage.

What is mediapeers currently doing to grow its customer base?

A range of activities from direct marketing and sales to attending major fairs, festivals, and industry events. Our founders regularly speak at conferences about digital distribution and we also put a lot of focus on nurturing the mediapeers online community by continuously developing and providing new tools and services to our registered users.

For a first-hand look at the MPX platform, go to:

<https://www.mediapeers.com>

Investment News

Zynga (U.S. / Ireland / India)

U.S.-based **Google has invested somewhere between €78m and €160m in social networking games company Zynga**, adding to the approximately €118m invested in Zynga by Softbank Capital in June. Google's investment is said to have closed around the same time as Softbank's and a larger strategic partnership between Zynga and Google is speculated to be in the works. It seems that **Zynga's games could become the cornerstone of Google Games**, which is set to launch later this year in a bid to use the popular Zynga titles to **create a true social graph of Google users** as Zynga has done for Facebook. Additionally, Zynga's partnership with Google may see the company switch from using PayPal (Zynga is said to be PayPal's largest single customer) to using Google Checkout, which will **increase Google Checkout's market share against the dominant PayPal**.

Zattikka (U.K.)

Social games developer Zattikka has **raised approximately €4.4m** for additional platform and product development, establishing a U.S. office, key hire recruitment, and marketing. The company acquired Gimme5games in September 2009. Now, only a year later, it has a portfolio of over 200 games with 192 million logged gameplays. Zattikka's **portal traffic grew from 200,000 MAUs (Monthly Active Users) to 1.5 million** in the same period, making the company attractive for **this second round of funding lead by Notion Capital** and including private investors such as Harald Ludwig, co-chair of Lionsgate Entertainment. **(For a more in-depth look at Zattikka, see our interview with the company's CEO in our "Industry Focus" section below).**

C2Call (Germany)

After receiving approximately €200K in angel investment, and now boasting over **900,000 users and 15,000+ daily sign-ups as well as nearly €1.6m in revenues**, **C2Call's browser-based Internet phone software is set to expand**. Draper Investment Company, High-Tech Gründerfonds, and Klaus Wecken (co-founder of KHK Software AG) have **invested about €1.6m for the company to grow its Voiceover IP service, FriendCaller**, which differentiates itself from competitors like Skype by not requiring any installation. As it can be accessed and utilized directly via the Web, FriendCaller is expected to surpass Skype in terms of global adoption.

GigsWiz (Finland)

An analytics service for the live music industry, GigsWiz **offers an application that musicians can use via their websites to help determine where their fans want them to play concerts**. To further develop this product, which is currently in beta testing, and to launch sales and business development activities in the U.K. market, **the company has received €150,000 from Idealable Venture Fund, several Finnish angel investors, and the Finnish Funding Agency for Technology and Innovation**.

Flirtomatic (U.K.)

Billed as "the world's number one flirting site," the **mobile social network Flirtomatic has raised nearly €7.1m in series C funding** in order to expand in Europe and the U.S. With branded apps recently launched for iPhone, iPod Touch, and Android and one for Blackberry on the way, **the company earns its revenue through ads and the sale of both virtual and physical goods**. It has an estimated 2.5 million users in the U.K. and U.S. and **will focus its expansion efforts on co-marketing its service alongside**

telecom partners such as T-Mobile, MetroPCS, Virgin Mobile, and AT&T.

GrabCAD (Estonia)

An **open source library for Computer Aided Design (CAD) engineers, GrabCAD provides the ability to share 3D models online**, reducing the time engineers spend designing models that already exist elsewhere. The company **has secured €256,000 from the Estonian Development Fund and telecom tech company Astrec Baltic**. This funding will be used by GrabCAD to create a CAD engineering marketplace alongside the library, with **revenues coming from a brokerage fee charged for services ordered and carried out through their site**.

Ideas4all (Spain)

An **online platform via which users share ideas to help solve problems**, Madrid-based Ideas4all has **recently raised €1m in angel investment**. The company has both a consumer site and a version of its service designed specifically for businesses that want their employees to interact using the Ideas4all software. The company is reportedly **already 6 months ahead of their business plan, having signed €418,000 in contracts in the first half of 2010**. This new round of funding will enable them to continue their expansion.

Market Developments

Playdom (U.S.) / Disney (Worldwide)

Subject to approval under anti-trust regulations, **Disney will acquire the social games developer Playdom for approximately €443m + up to another €157m in performance-linked bonuses.** The deal is set to close by the end of Disney's 2010 fiscal year and will see **characters and storylines from some of the Mouse House's key franchises and brands developed into social games** for platforms like Facebook and MySpace. One of the top 5 social games developers, **Playdom itself has acquired 15 game development studios over the past 2 years** and, via this acquisition, Disney will further extend the reach of its already formidable Disney Interactive Media Group in the high-growth sector of online social gaming.

Tuenti (Spain) / Telefonica (Spain)

Madrid-based, **invitation-only private social networking website Tuenti, referred to as the "Spanish Facebook," seems likely to be acquired by Telefonica.** The Spanish telecom operator **is set to pay €80m**, with €75m of that being a buyout of all company shares except for management's, who will retain their shares and most likely fill key executive roles after the acquisition. The **purchase seems to have been motivated by Telefonica Mobiles unsuccessful attempt to enter the Spanish social networking market in November 2008 with a service called Keteke.** After that venture failed to gain traction against the dominant Tuenti, Telefonica has been seeking a way back into social networking.

PacketVideo (U.S.) / NTT DoCoMo (Japan)

NTT DoCoMo, a Japanese carrier, has **purchased PacketVideo for nearly €88m** from the services parent company Next Wave Wireless. PacketVideo **provides users with the ability to share content between phones and other electronic products**, with offerings in video, streaming radio, music sales, ringtones, and picture sharing. NTT DoCoMo already owned a 35% stake in the company and this acquisition will see it taking the remaining 65%, **convinced that phone-to-electronics sharing solutions will become increasingly profitable** in the near term.

Illuminate Labs (Sweden) / Autodesk Media & Entertainment (U.S.)

Entertainment software giant Autodesk is set to acquire Sweden-based **Illuminate Labs, which is a maker of lighting technology for games.** While the terms of the deal are undisclosed it is expected that **all Illuminate's employees will transition to Autodesk, who will continue to develop and license the company's products to game developers** such as Electronic Arts, THQ/Heavy Iron, Nintendo, and Sony Computer Entertainment.

Odnoklassniki.ru (Russia) / Digital Sky Technologies (Russia)

The Russian social network Odnoklassniki.ru has been **purchased by Moscow-based Internet investment and holding company DST (Digital Sky Technologies) for between approximately €11m and €22m.** This amount was paid for the remaining 20% stake in Odnoklassniki.ru. DST already owned the other 80%, having invested over several rounds in the social networking site in 2006 and 2007. The acquisition comes amid rumors that **DST, with its extensive portfolio of Internet companies, is planning an IPO that could be valued up to €4.7 billion.**

blinkx (U.S.) / Internet Video Archive (U.S.)

The video search engine **blinkx**, which has indexed over **35 million hours of video content and works with 700+ partners**, has formed a **strategic partnership with Internet Video Archive (IVA)**, an aggregator of movie and TV trailers, music videos, and game previews. IVA is cited as being a “treasure trove of video for film buffs, music lovers, and gamers” with a portfolio consisting of nearly 500,000 video assets from over 1,000 content providers. Through this partnership, **blinkx significantly increases its searchable media base, raising its market profile** as an up-and-coming content search engine.

Wikimart (Russia) / Tiger Global Management (U.S. / China / India)

Russian-based online mall Wikimart, which provides a platform for individuals and small retailers to set up e-shops, has **sold a 50% stake in the company to equity investment firm Tiger Global Management for approximately €4m**. Wikimart is free for users to set up a virtual store, with the company’s **revenue model being a 3% transaction fee per sale**. The company has achieved an estimated €1.2m yearly turnover through its 2000+ merchants, who offer over 400,00 products.

New Funds for Startup and Seed Capital

Floodgate (U.S.)

Recently launched, Floodgate **bridges the gap between angel investment and venture capital funding** through their “Super Angel” strategy. They **invest between approximately €118,000 and €790,000** in startup companies: higher than typical angel investors, but lower than most VC funds. Potentially, they will invest alongside VCs; however, their **main aim is to help tech companies accelerate their growth and to assist them in securing new rounds of funding** to “open the floodgates to market disruption and dominance.”

Runa Capital (Russia)

This new Russian venture capital fund launched in early August with **approximately €24m to invest in early-stage technology startups based in Russia**. Founded by Serguei Belousov, who is the chairman of Parallels and Acronis, partners in the fund include Andreas Gauger and Achim Weiss, co-founders of the hosting provider 1&1; Ilya Zubarev, co-founder of Rolsen and Acronis; Igor Borovikov, founder of the largest Russian software distributor, Softline; Charles Ryan, chairman of UFG Asset Management; and Igor Daniloff, founder of the antivirus company “Doctor Web” with advisory services coming from Almaz Capital Partners. In addition to its investment capital, **the fund is also offering the possibility of U.S. and European co-investment in Russian tech startups** as well as a sharing of international expertise in order to better position the funded companies on the global market.

500 Startups (U.S.)

Angel investor Dave McClure filed with the SEC in July to set up **an approximately €23.7m venture capital fund for “early stage consumer internet companies.”** Having invested directly as an angel investor in startups such as UserVoice, Mashery, Mint, and SlideShare, McClure describes his new venture as **“an edgy seed fund . . . fun at all costs . . . authentic, down-to-earth, real . . .” that intends to “move quickly, take risks, and make [manageable] mistakes.”** Expect some interesting announcements from him in the near term.

Industry Focus: Zattikka

“Social network and smartphone games are rapidly becoming the medium through which consumers engage with brands,” says Tim Chaney, CEO of U.K.-based Zattikka. The company, which develops and **publishes browser-based games playable through their own web portals, via social networking sites such as Facebook, and on smartphones**, has grown by leaps and bounds since its launch in August 2009.

Media Deals recently **interviewed Mr. Chaney about Zattikka’s vision** and where the company intends to go from here, having **just received approximately €4.4m in second round funding**. Here’s what was said:

MD: I’ve read that you’re releasing 2 new games per week: what’s the strategy behind that?

Chaney: We were doing that, but now we are targeting more, up to 5 a week. These are free browser games: we license them from providers (e.g. game developers) and seed them out to as many other sites as possible. You can play them for free and our logo is baked into every game. Users click back to our site via the logo, which helps us build our traffic. We call it the funnel.

MD: So user traffic is the key?

Chaney: Yes, unique visitors to a site are an early indicator that you are doing something right. It used to be that you could get 20 million users for a game or portal of games just through Facebook. But those days are gone. The rules have changed. Now for companies such as ours, 3 million or more registered players is definitely a success. It’s also the starting point for attracting decent income and generating revenue through microtransactions and virtual goods. For an iPhone product the challenge is having someone find your product in a thick catalogue that you can only see the first couple pages of.

MD: From what I understand, rather than become an acquisitions target for a bigger social games developer, Zattikka is aiming to acquire smaller developers and become a market leader itself?

Chaney: We are not big enough to move anyone’s needle to become an acquisition target just yet. Anyway, our plan was always to prove our worth in the space, generate revenue and profit and then raise a significant fund for an acquisition roll-up. Acquiring much bigger companies than ourselves though, not smaller ones, or development studios only.

MD: How will you achieve revenue when you start from “free”?

Chaney: Mainly through microtransactions . . . selling apps, selling virtual goods. Some of our games are only free-to-play to an extent. It’s a “play this much, then pay this much to continue playing or to enhance your power or worth in the game” model. It’s that balancing act of tempting a user to pay to progress instantly or play to progress through skill and persistence. Time is valuable, and engagement is light. When we reach a certain traffic size, we’ll begin exploring ad-based revenue models as well but you have to be 10m+ MAUs (Monthly Active Users) to make it pay.

MD: Who would you consider to be your competitors right now?

Chaney: Mindjolt, Armor Games, Kongregate . . . companies like that. There's no shortage, that's for sure. And there are some behemoths that we're not naïve enough to consider we could be competition to anytime soon. Everyone knows the names, so we have to do it differently, raise the bar . . .

MD: What new games do you currently have in development?

Chaney: We've got 2 important ones coming. The first is a social network game that will be played through Facebook that was pitched to us and is being designed by a cool bunch of guys in Manchester. The other is a virtual world based on a known property. I can't say what it is yet, but the property has logged 355 million views on YouTube.

MD: Harald Ludwig, one of Lionsgate Entertainment's co-chairs, contributed to your recent round of funding . . . is Zattikka looking to develop social games based on films?

Chaney: I hate to be evasive but can't comment on the specifics of that quite yet, but we are considering a range of possibilities. The built-in audiences that films bring, that kind of iconic IP, are exactly the type of content we want to work with to grow our business.

MD: Games retailer GameStop recently bought Kongregate. Disney is in the process of acquiring Playdom. Google is allegedly moving in on Zynga. Are these the types of companies that could potentially buy Zattikka as an exit for your investors?

Chaney: Retailers, media conglomerates, and blue chip brands could all be interested. The landscape is changing fast and the focus will be on our traffic and economics in terms of balancing and tuning monetization. Social network and smartphone games are rapidly becoming the medium through which consumers are happy to engage with brands. These blue chip companies can build up their own level of traffic to a point, but soon they will be looking to acquire games-traffic owners, high quality game makers, essentially to draw our universe of attentive, engaged, hooked players' attention to their own products and services. There are so many examples popping up, setting a frenzied pace that is hard to keep abreast of. If you imagine for a minute that browser and social gaming has the power to disrupt TV, outdoor and print advertising, to claw away violently at the hardcore videogame market and already generate billions of dollars, and it's only a 3 or 4 year old market, then you see the scope of opportunity and challenge.

To play some of Zattikka's truly distinctive games, go to:

www.gimme5games.com, www.badhed.com, www.challengespot.com,
www.saucerpanic.com

Talkback

As always, we welcome your **questions, comments, feedback, and inquiries**. If you have a suggestion about a potential news item for our next Media Deals newsletter please send that along as well.

We are also interested in learning about **new company developments** and **entrepreneurial initiatives** as well as **investor news in the mediatech sector**.

Address all news-related e-mails to news@media-deals.org

Until next time . . .