

The background features a stylized, blue-tinted aerial view of a modern city, likely Dubai, with prominent skyscrapers and a complex network of roads. Overlaid on this is a semi-transparent digital interface consisting of various icons, circular gauges, and data points, suggesting a high-tech or gaming environment.

# The Rise of Gaming Culture in the UAE: Opportunities and Challenges

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A whitepaper by  investopia

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## INTRODUCTION

The UAE is rapidly positioning itself as a pivotal global gaming and esports hub. With Dubai gearing up to host the much-anticipated Dubai Esports and Games Festival from April 19 to May 5 and Abu Dhabi having recently unveiled plans for a groundbreaking \$1 billion esports island, the nation is on the brink of a gaming culture revolution.

Technological advancements, a high internet penetration rate, and a young, tech-savvy population are driving the remarkable growth of the gaming industry in the UAE. As the UAE strides towards becoming a global gaming powerhouse, we delve into the opportunities and challenges this growth presents, from economic development and talent cultivation to regulatory and cultural considerations, examining the strategies stakeholders can adopt to navigate and thrive in this dynamic sector.



# GROWTH OF GAMING

The gaming sector, a multifaceted domain of digital entertainment, encompasses a broad spectrum of activities that allow individuals to engage in interactive experiences through various devices and platforms. This industry, which is defined by the act of playing video games, caters to a wide range of interests and technological capabilities, with everything from compelling single-player narratives to competitive multiplayer arenas.

The global video game industry, a multi-billion dollar behemoth, continues to thrive and expand, with its revenue reaching an estimated \$347 billion in 2022. The mobile gaming industry, which alone generated about \$248 billion, is mainly responsible for this growth. Technological advancements drive the industry's evolution by enabling developers to create increasingly immersive and interactive experiences through cloud computing and virtual reality gaming. At the forefront of this expansive market are the "Big 3"—Nintendo, Microsoft, and Sony—who dominate the console gaming landscape. Collectively, these giants contribute to 29 percent of the total industry revenue, with Sony leading in market share among them.

Beyond these titans, a diverse array of players significantly impacts the gaming ecosystem. Tencent, a Chinese digital powerhouse, has emerged as a key player due to its mobile and online gaming dominance. Interestingly, companies like Apple and Google also generate substantial revenue from gaming apps via app store commissions. The industry also celebrates the influence of leading video game developers and publishers such as Activision Blizzard, Electronic Arts (EA), Take-Two Interactive, and Roblox Corporation, alongside European stalwarts like Ubisoft and Embracer Group.

The Asia Pacific region boasts its own gaming heavyweights, including Bandai Namco, Capcom, and Square Enix, contributing to a global landscape where blockbuster game releases, like those from Activision Blizzard's Call of Duty and EA's FIFA series, achieve monumental sales and international acclaim. This diverse and dynamic market structure underscores the global gaming industry's robust growth and the broad array of opportunities it presents across various platforms and regions.



# GAMING IN THE MENA REGION AND THE UAE

## Mobile Gaming Market in the UAE

The UAE's gaming industry has grown substantially, with mobile gaming taking a prominent position thanks to the country's high mobile and internet penetration rates. The UAE gaming market generates around \$350 million in revenue, with a significant portion coming from mobile games. 76% of gamers using smartphones or tablets drive this segment's growth, demonstrating a preference for mobile gaming over console and PC gaming. The average UAE gamer spends 20 to 40 minutes daily on mobile games, with genres such as Action, Adventure, Sports, and Racing being particularly popular. High-profile games like eFootball PES, Subway Surfers, PUBG, and Fortnite rank among the preferred choices for mobile gamers in the UAE. This enthusiasm for mobile gaming, combined with the willingness of nearly 39% of gamers to spend on mobile experiences, positions the UAE as a significant market for gaming revenue.

## Esports Gaming Market in the UAE

Due to investments and initiatives aimed at creating a comprehensive gaming and esports ecosystem, esports in the UAE are increasing. Key collaborations are instrumental in this development, such as the memorandum of understanding (MoU) between Mubadala Investment Company and Abu Dhabi Gaming. These initiatives are designed to attract global talent and foster local talent and innovation within the esports domain. The planned creation of the Middle East's first esports stadium by the Dubai Media Office and TECOM Group underscores the UAE's commitment to becoming a central hub for esports activities and investments.

## Advancements in AR/VR and Cloud Gaming in the UAE

The integration of Augmented Reality (AR) and Virtual Reality (VR) technologies will significantly impact the UAE gaming market. With an estimated contribution of \$4.1 billion to the UAE economy by 2030, these technologies are expected to enhance the gaming experience and create new job opportunities. The launch of the VR Park in Dubai exemplifies the UAE's initiative to adopt and promote AR and VR technologies. Additionally, the introduction of cloud gaming services by providers like Etisalat and Playkey.me represents a shift towards more accessible gaming experiences in the UAE. These services allow gamers to enjoy the latest titles without the need for high-spec hardware, aligning with the UAE's digital transformation goals.



# STRATEGIC EFFORTS TO ENHANCE GAMING IN THE UAE

## Abu Dhabi Gaming (AD Gaming) Initiative

AD Gaming represents a pivotal government initiative to consolidate efforts across Abu Dhabi to position the Emirate as a leading global gaming hub. This initiative is dedicated to nurturing talent, fostering game development, and promoting esports, thereby catalyzing the growth of the gaming industry in the region. By providing career pathways for emerging talents and crafting high-quality gaming content, AD Gaming is setting a foundation for innovation and knowledge exchange within the gaming community. It offers comprehensive support to upcoming game developers, industry professionals, and enthusiasts, promoting a vibrant gaming culture in the UAE.

## The 'Train-the-Trainer' Development Program

In a significant educational initiative, AD Gaming, in partnership with Unity Technologies, has launched a 'train-the-trainer' program targeting educators across several UAE institutions, including Abu Dhabi University, NYU Abu Dhabi, and the Higher Colleges of Technology. The program's mission is to arm educators with cutting-edge skills in AI, virtual reality, game development, and coding, which they can, in turn, impart to their students. Furthermore, AD Gaming endeavors to bridge the gap between academia and industry by facilitating practical experience opportunities for students through partnerships within the gaming and esports sectors.

## Establishing a Comprehensive Gaming and Esports Ecosystem

A strategic collaboration between Mubadala Investment Company and Abu Dhabi Gaming aims to cultivate a robust gaming and esports ecosystem within Abu Dhabi and the broader UAE. This partnership, formalized through a Memorandum of Understanding (MoU), seeks to enhance the regional gaming landscape by attracting international talent and promoting educational advancements related to virtual reality, game design, coding, and development. The agreement outlines a cooperative framework to foster industry content creation, support event organization, and generate job opportunities, thereby strengthening the gaming sector's infrastructure.

## Yas Creative Hub: A Nexus for Creativity and Gaming

The Yas Creative Hub is Twofour54's first specifically designed space for gaming, entertainment, and media in the area. Positioned as a core component of Abu Dhabi's Twofour54 community, the hub assembles a diverse collective of content creators, ranging from independent freelancers to large corporations engaged in various creative endeavors, including gaming and edutainment. With facilities such as custom-built offices, on-campus studios, and advanced production capabilities, the hub is designed to foster a collaborative and sustainable creative ecosystem. Projected to draw in 16,000 professionals by 2030, the Yas Creative Hub is a testament to the UAE's commitment to cultivating a dynamic and inclusive environment for creative industries.

# INVESTMENT TRENDS AND OPPORTUNITIES IN THE GAMING INDUSTRY

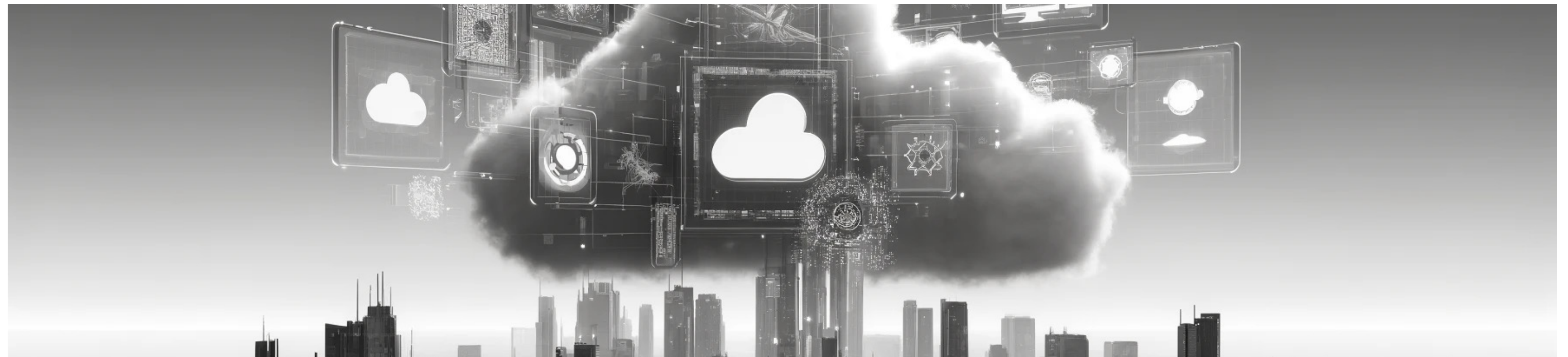
The gaming industry is at a pivotal juncture, characterized by significant mergers, acquisitions, and technological advancements. This extensive overview is divided into several key areas: deal activity, emerging industry trends, the sector's performance, reasons for investing in gaming, associated risks, and investment avenues.

## Deal Activity in the Gaming Industry

Microsoft's acquisition of Activision Blizzard symbolizes a broader consolidation trend within the gaming sector. Despite a post-COVID normalization, the industry witnessed 222 mergers and acquisitions in 2022. These mergers often aim to extend gaming ecosystems, with Microsoft's acquisition of Activision-Blizzard intended to enhance its gaming portfolio and bolster its Game Pass service. Other notable acquisitions, such as Take-Two's purchase of Zynga and EA's takeover of Glu Mobile, reflect a strategic push into the mobile gaming market. Additionally, investments in game engines, development technology, and in-game advertising highlight the industry's commitment to innovation. Epic Games, for example, received a \$2 billion funding injection from Sony and Kirkbi, illustrating the financial backing behind new gaming experiences like a Lego virtual world.

## Gaming Industry Trends

Technological innovations such as cloud gaming, VR, and multiplatform games are shaping the future of gaming. Cloud gaming, expected to surge with an annual market growth rate of 62.5 percent, offers the potential to revolutionize access to gaming by eliminating the need for high-end hardware. Despite the high cost of entry, VR gaming continues to attract investment, with PlayStation VR2 selling 600,000 units in six weeks. Multiplatform games, particularly those offering crossplay, have become increasingly popular, enhancing audience reach and engagement. Chinese developers like MiHoYo set a high standard for online multiplayer multiplatform games, prompting Western companies to seek partnerships for Chinese gaming content.



# INVESTMENT TRENDS AND OPPORTUNITIES IN THE GAMING INDUSTRY

## Performance of the Gaming Sector

The gaming sector has demonstrated robust growth, with video games expected to comprise 10.9% of all entertainment and media spending by 2026. However, video game spending saw a 4% decline between 2021 and 2022 despite the continuing increase in gaming time. This juxtaposition underscores the dynamic nature of consumer engagement with gaming.

## Why Invest in Gaming?

Gaming presents unique investment opportunities due to the potential for significant returns from successful titles. Franchises like Grand Theft Auto and Call of Duty have sold millions of copies, driving substantial profits. The sector also offers exposure to the latest tech trends, including digital distribution, cloud streaming, and artificial intelligence. The widespread adoption of smartphones and the anticipation of new console releases further underscore the sector's growth prospects.

## Risks in Gaming Investments

Gaming carries inherent risks, including the high cost and time investment required to develop successful games. The industry's hit-driven nature can lead to cyclical revenues, particularly for companies reliant on specific franchises. Additionally, the high cost of games and consoles and economic pressures may limit consumer spending in the gaming sector.

## Gaming Stocks and Funds

Investors looking to capitalize on the gaming industry can explore individual stocks of significant game developers or broader funds with industry exposure. Public companies like Take-Two Interactive, Electronic Arts, and Nintendo offer direct investment opportunities. At the same time, ETFs such as the VanEck Vectors Video Gaming and eSports ETF provide diversified exposure to the sector. However, investors must navigate the complexities of overseas markets and currency exchange risks.

## A Look at VC Investment in the Gaming Sector

Venture capital investment in gaming reflects the sector's evolving landscape. Despite a recent dip in investment and valuations, Q4 2023 saw a resurgence in deal count and value, signaling a normalization of activity levels. Investors are shifting from traditional game development to business models offering infrastructure and support services, such as developer tools and content moderation. The global gaming audience and advancements in AR/VR technology and AI present ongoing opportunities for growth and innovation in the sector.



## CONCLUSION: GAME ON

Future gaming market growth will be impressive thanks to ongoing technological advancements like virtual reality (VR) and augmented reality (AR). These technologies are set to revolutionize gaming experiences, potentially creating new genres and attracting more players. Additionally, enhanced internet connectivity and the rollout of 5G networks are expected to improve online multiplayer experiences and bolster social gaming's appeal.

The expansion into emerging economies and rising consumer disposable incomes open new avenues for game developers and publishers. The industry is forecasted to maintain a robust compound annual growth rate (CAGR) from 2023 to 2027, so the future looks promising. The introduction of next-generation consoles, the ongoing growth of the mobile gaming industry, and the increasing popularity of esports will likely fuel this growth trajectory.

Moreover, the integration of artificial intelligence (AI) and machine learning (ML) technologies into gaming is anticipated to drive further growth. However, the industry must navigate evolving consumer preferences, fierce competition, and potential regulatory challenges. Despite these hurdles, the market sentiment remains overwhelmingly positive, with the video game industry on a path of sustained growth and innovation.



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