

2022 GameFi Industry Report

January - July

Introduction

While crypto has been through several ups and downs over the past decade, GameFi as a new segment has only emerged since late-2020, and the first half of 2022 was the maiden bear cycle for the blockchain gaming industry.

This report takes the opportunity to look through the data and analyze how the sector has performed in terms of users behavior, transactions on chain, fundraising and price performances. We also discuss a few conundrums faced by the industry.

Key Takeaways

The events of 2022 highlighted a fundamental contradiction in combining the two verticals: Gaming and Finance. Gamers play games to have fun, while people participate with financial incentives to make money. A few key data points in this report show that the projects built upon hype and an unsustainable play-to-earn model collapsed the hardest during this downturn.

The report delves into the performance of each chain in the gaming ecosystem. We further examine the top GameFi tokens and how they performed amidst the H1 2022 bear cycle — most protocols have seen a sharp drop in both price and users.

The critical question remains: how can developers enable people to play and earn rather than toil and yield? How can GameFi titles be built to be sustainable?

Even though the data shows that investors are bullish on GameFi — GameFi and metaverse projects had large influxes of VC funding relative to other categories in the blockchain industry — no single smart contract platform managed to fully capitalize and become the go-to “GameFi chain.”

At the end of this report, we highlight the chain that could take this spot and propose a few games to watch in H2 2022.

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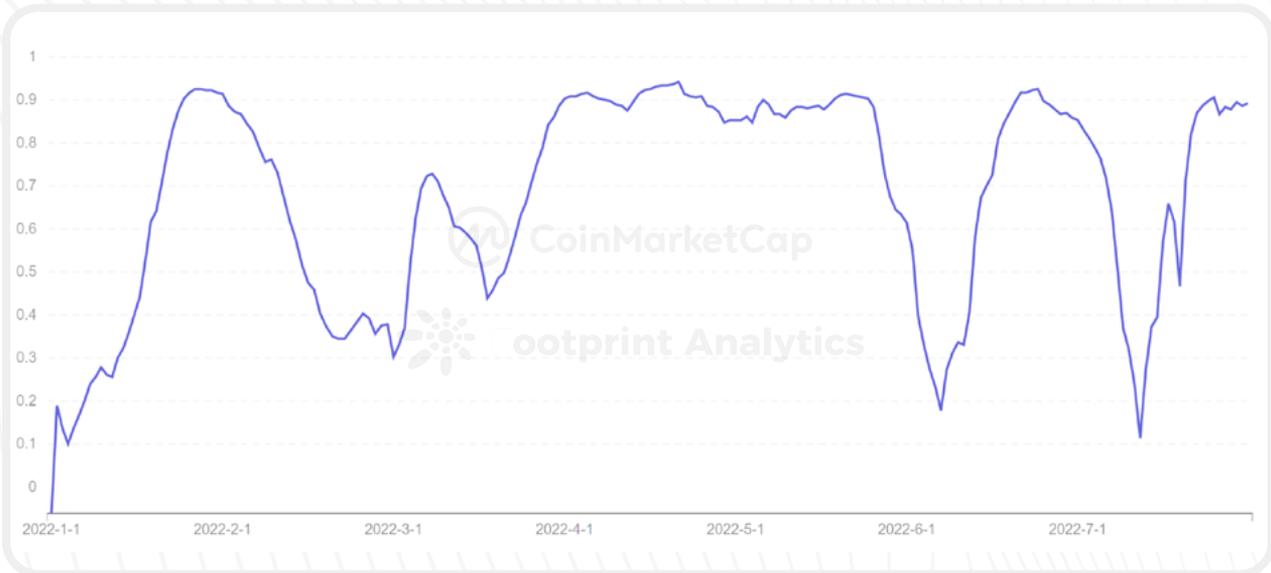


Footprint Analytics is a tool to uncover and visualize data across the blockchain, including NFT and GameFi data. It currently collects, parses and cleans data from 17 chains and lets users build charts and dashboards without code using a drag-and-drop interface as well as with SQL or Python.

1 GameFi Overall Market Performance

From early 2022, the whole market has been trending downward amidst harsh macro conditions and rising inflation. The fall in the equities market, represented by the S&P 500, took [BTC](#) — now having absorbed billions in institutional funding — down with it. And in turn, BTC has taken the altcoin market along for the ride.

Figure 1 [BTC & S&P 500 Price Correlation Analysis](#)



The Fear & Greed Index reached an extreme fear state, and GameFi active users, measured by the unique wallet addresses interacting with the protocol smart contracts for a certain period of time, gradually declined. Although the Fear And Greed Index has recovered from around 10 (Extreme Fear) in late June to now 42 (Fear), the crypto market is yet to react strongly with meaningful price actions.

Figure 2 [BTC Price \(\\$\) vs. Fear and Greed Index](#)

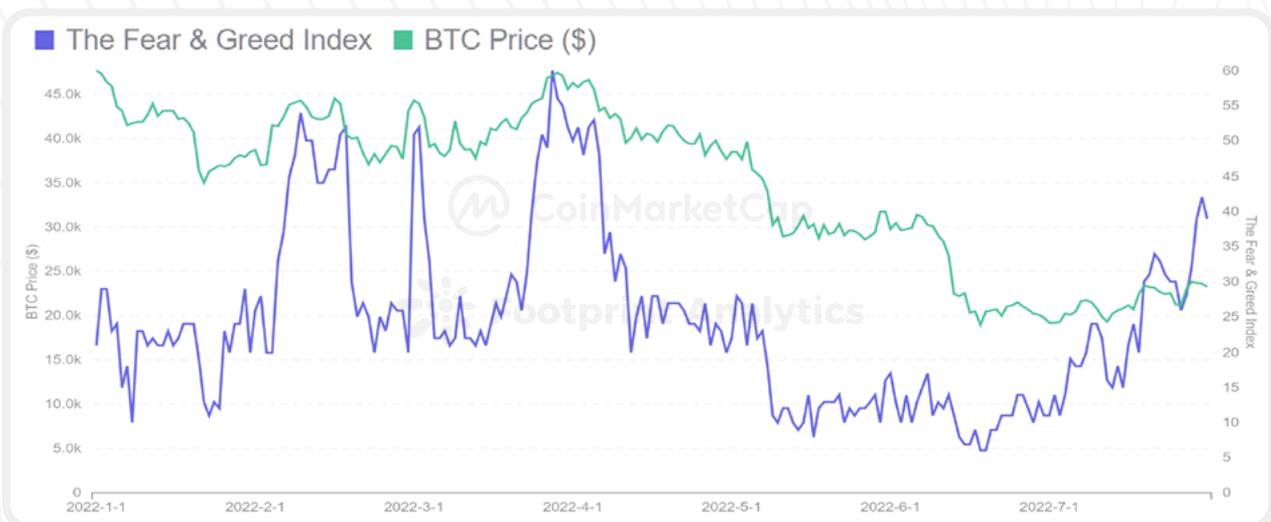


Figure 3 GameFi Market Cap vs. BTC Market Cap



In terms of volume, [Ronin](#), [BNB](#) (previously BSC), and [Harmony](#) outperformed all others by a wide margin. In the case of BNB, low transaction fees and its ease to build drove a multitude of projects coming aboard. However, Ronin and Harmony are singularly dependent on their ecosystem's most prominent titles — [Axie Infinity](#) and [DeFi Kingdoms](#) — driving volume.

In terms of transactions (Txn) and average users in Q2, gaming-focused chains [WAX](#) and [Hive](#) remained the top two.

Figure 4 Gaming Transactions by Chain

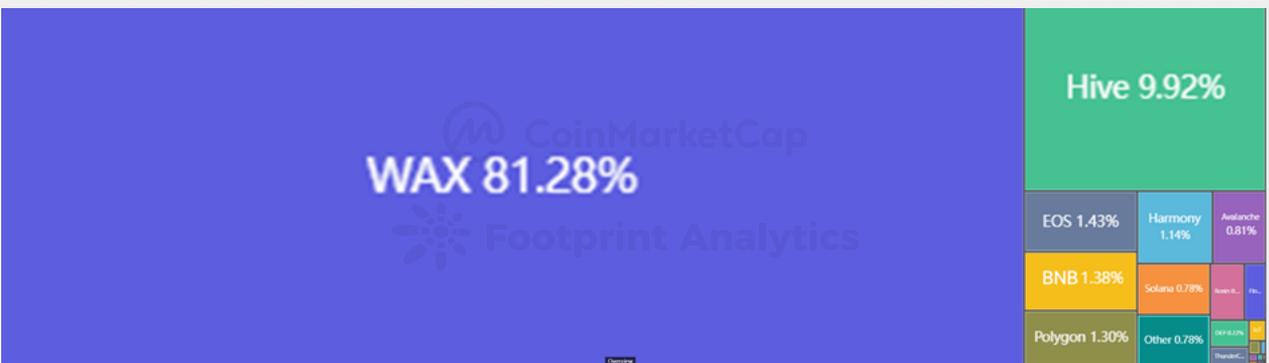


Figure 5 Market Share of Gamers

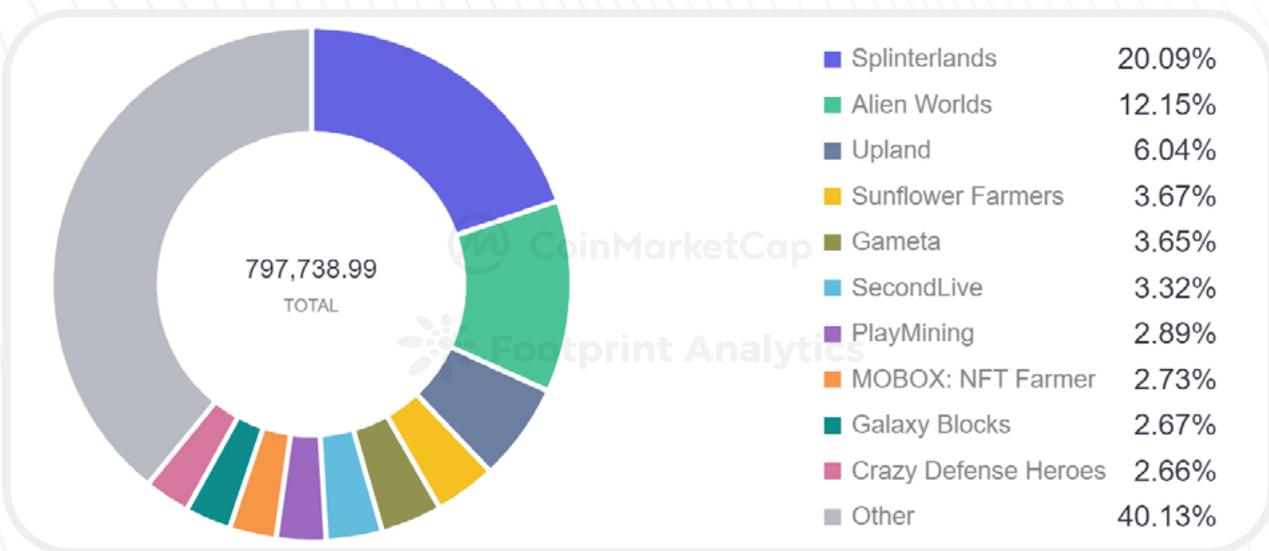


1.1 Three Takeaways from H1 2022

Mainstream hype during the bull market has not been a good indicator of sustainability or future success.

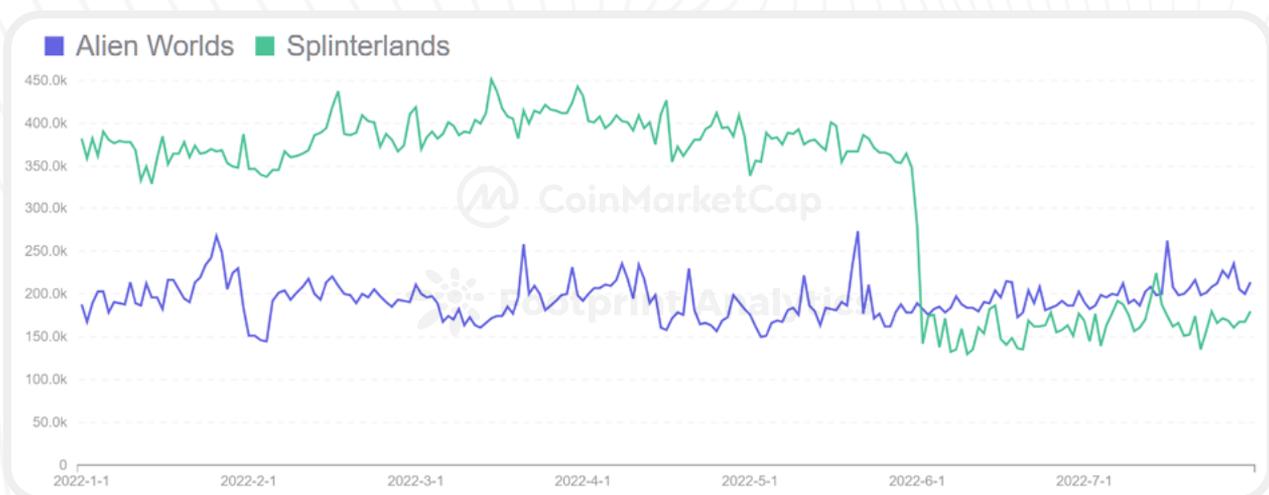
- Neither Axie Infinity, the first crypto game to become a household name with all of its news coverage, nor [STEPN](#), the first move-to-earn title, are even close to the Top 3 games by the number of users currently. They came and went.

Figure 6 Average Active Users by Game



- On the other hand, [Alien Worlds](#) and [Splinterlands](#), two titles that are unheard of outside the GameFi space, now dominate. Even after declines in price, users continued to enjoy playing them, even for less ROI. While Splinterlands led Alien Worlds with almost double the number of active users in the first half of 2022, it experienced a sharp decline in users in June. This is possibly due to the end of the season on June 1, a revision of its ranked reward system, the drawdown of the crypto market, or a combination of all factors. While they're not the only fun games, they avoided the runaway asset inflation that put other titles in boom-and-bust cycles.

Figure 7 Active Users Trend (Alien Worlds vs Splinterlands)



A dominant, go-to chain for GameFi projects has yet to emerge. It's too early to predict long-term leaders.

- WAX and Hive, the two largest GameFi chains, are still hugely reliant on the success of Alien Worlds and Splinterlands users, respectively, which comprise 54.55% and 99.85% percent of their total gamers. Neither chain was purpose-built for these titles like Ronin for Axie Infinity.

Figure 8 Market Share of Average Gamers - WAX

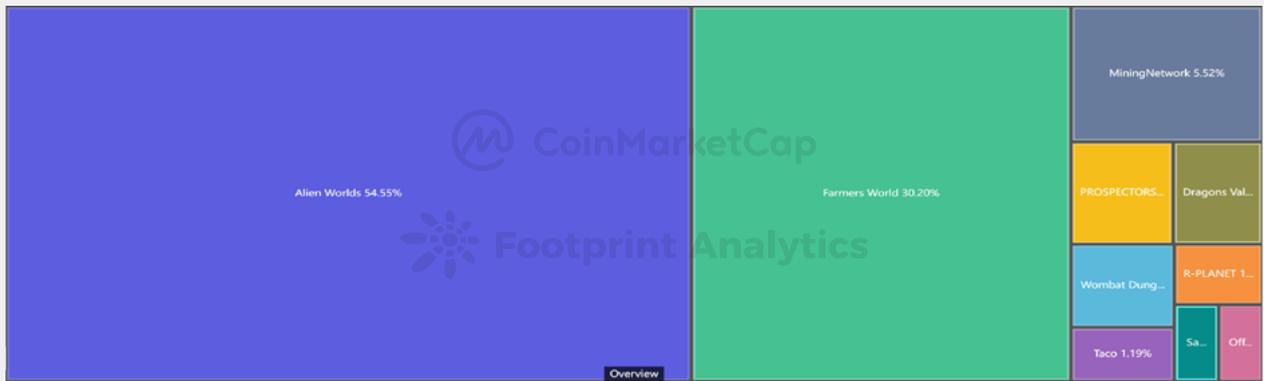


Figure 9 Market Share of Average Gamers - Hive



- BNB is the third largest chain by gaming transactions and gamers, and no one title dominates its ecosystem. However, it has yet to host a standout game.

Figure 10 Market Share of Average Gamers - BNB

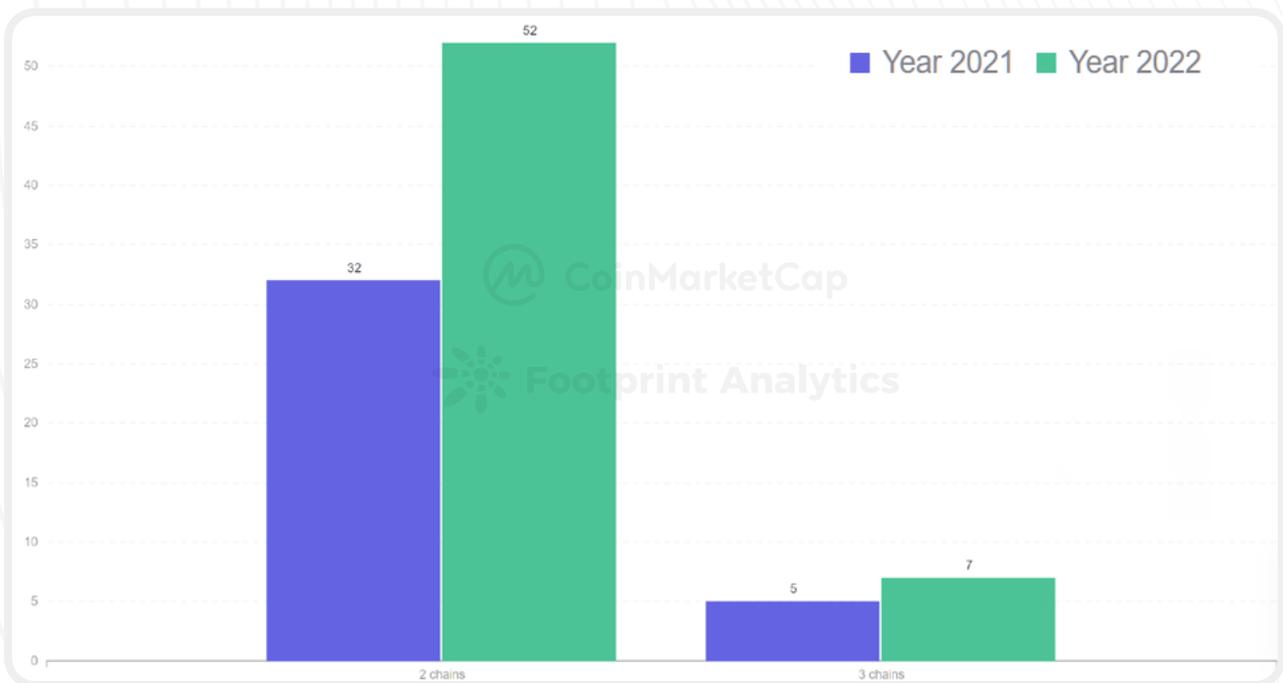


- ◆ Another game which is highly anticipated, [Illuvium](#), is set to launch on [Ethereum](#), as is Big Time, another upcoming game with significant funding. STEPN expanded to Ethereum as well.

Developers are increasingly aiming to create multichain ecosystems, but they've proven to have more risks than rewards.

- ◆ Top games DeFi Kingdoms and STEPN expanded to 2 chains each in March 2022 to gain users and disperse risk but ran into issues involving tokenomics. StepN originally launched on Solana. When it expanded to the BNB Chain, the price disparity for [GST](#) (the utility token) on BNB Chain grew to a peak of 9X that of [GST](#) on Solana, mainly due to a lack of cross-chain bridge and disparate demand skewed on the side of BNB Chain. While the price disparity of GST on these two chains has drastically reduced after the crypto drawdown, the latest launch of [GST](#) on Ethereum shows a price discrepancy again, highlighting one of the challenges of creating a multi-chain ecosystem.

Figure 11: Number of GameFi Protocols Deployed on Multichain ↵



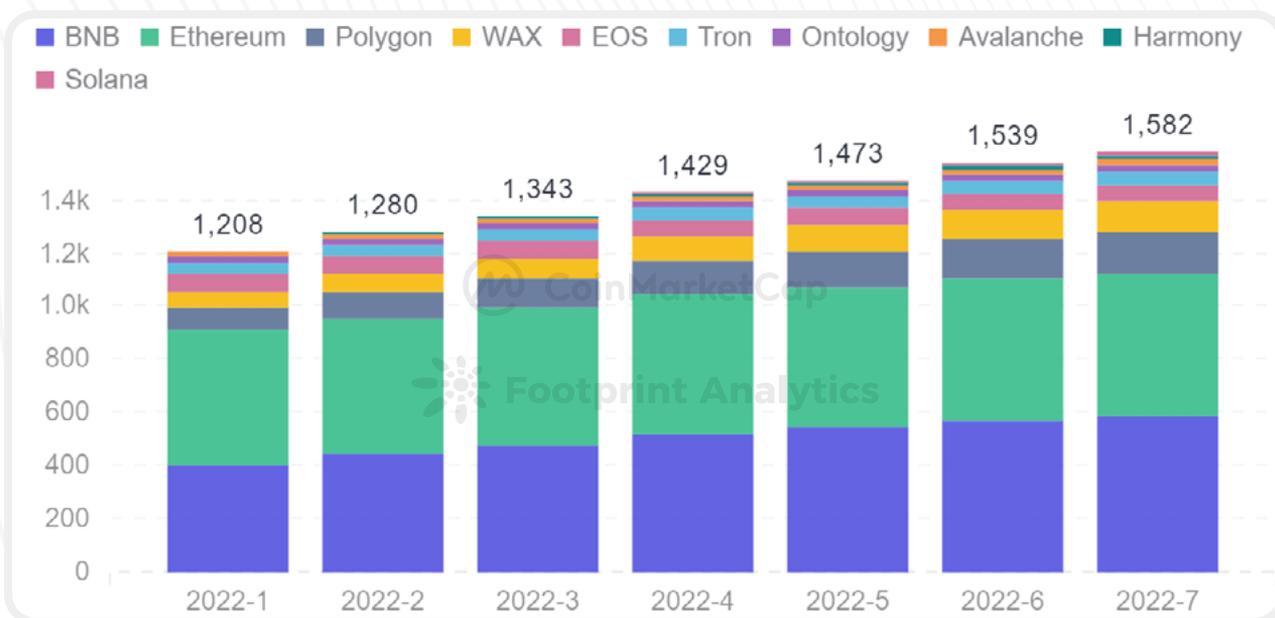
- ◆ Animoca Brands has said that its soon-to-be-launched AAA title, Phantom Galaxies, will be a multichain experience.
- ◆ With its subnet technology, [Avalanche](#) aims to make it easier for games to build out on multiple chains (i.e., their own network on AVAX infrastructure) — they've already attracted DeFi Kingdoms and [Crabada](#) to subnets.

2 Chain-by-Chain Analysis

The growth of protocols on chains started to slow down significantly in May, and only 47 new projects were launched that month. This figure started to improve slightly in June to 63 new projects, though still far from the amount of projects launched in Q1. In July, 38 new projects were launched, a small decrease.

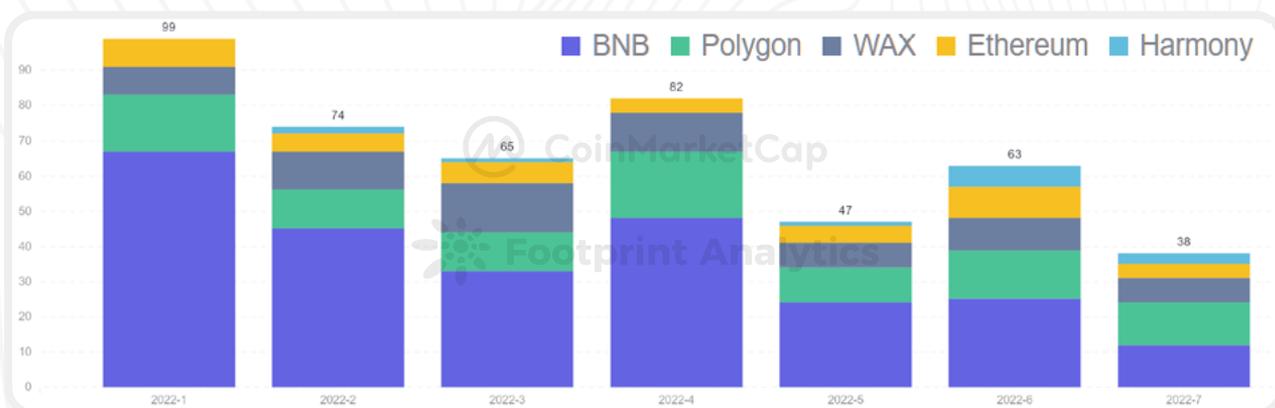
- BNB and Ethereum are still the richest chains in the gaming ecosystem, with more than 582 and 538 projects on each, respectively.

Figure 12 Number of GameFi Protocols by Chain



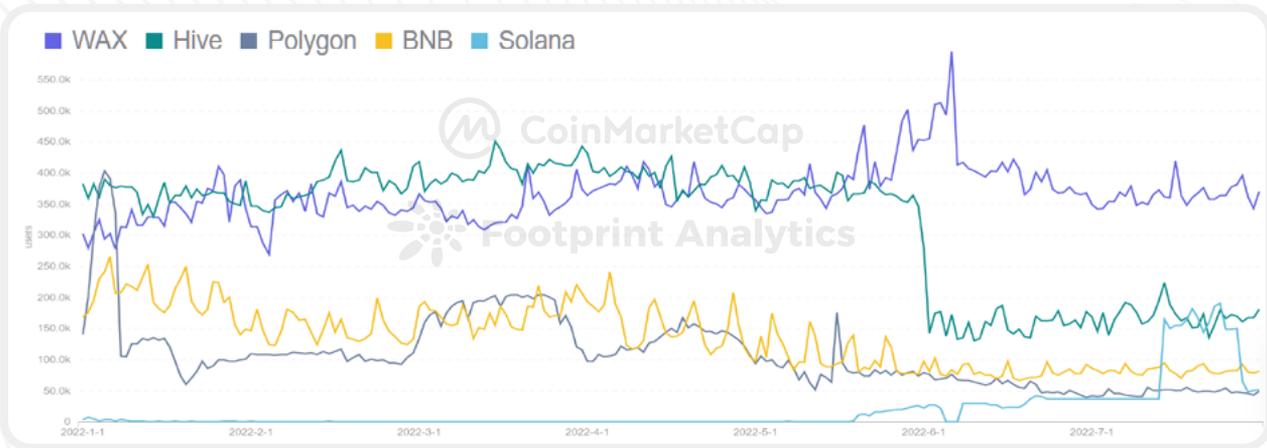
- BNB, which was originally the chain with the most new game projects per month, has had significantly fewer new games since the bear market started in May. Other chains have largely maintained a relatively steady stream of additions, with Polygon having the most relative growth, followed by WAX. Although there are many chains, it can still be seen that the gaming developers still prefer Polygon, WAX and BNB, which are more friendly to games with their low fees.

Figure 13 Chains by Number of New Projects



- As for the number of active users in the top five chain ecosystems, WAX expanded to 370K by the end of July, but Hive experienced a significant decline in early June from 360K to 140K, due to the steep fall in active users on Splinterlands — the dominant game on the Hive blockchain.

Figure 14 Top 5 Chains by Gamers ↗



- Based on the share of each project on the chain, BNB has a relatively robust and diversified ecosystem. This is supported by the fact that the gaming volume for the top competing games on BNB each does not exceed 25% of the total volume. This is a more balanced setup compared to Ronin or Harmony, where the head projects hold 100% and 99.8% of total volume. Since GameFi is highly volatile, with even top titles collapsing into death spirals, diversification could make ecosystems more resilient in market downturns.

Figure 15 Market Share of Protocols by Chain ↗

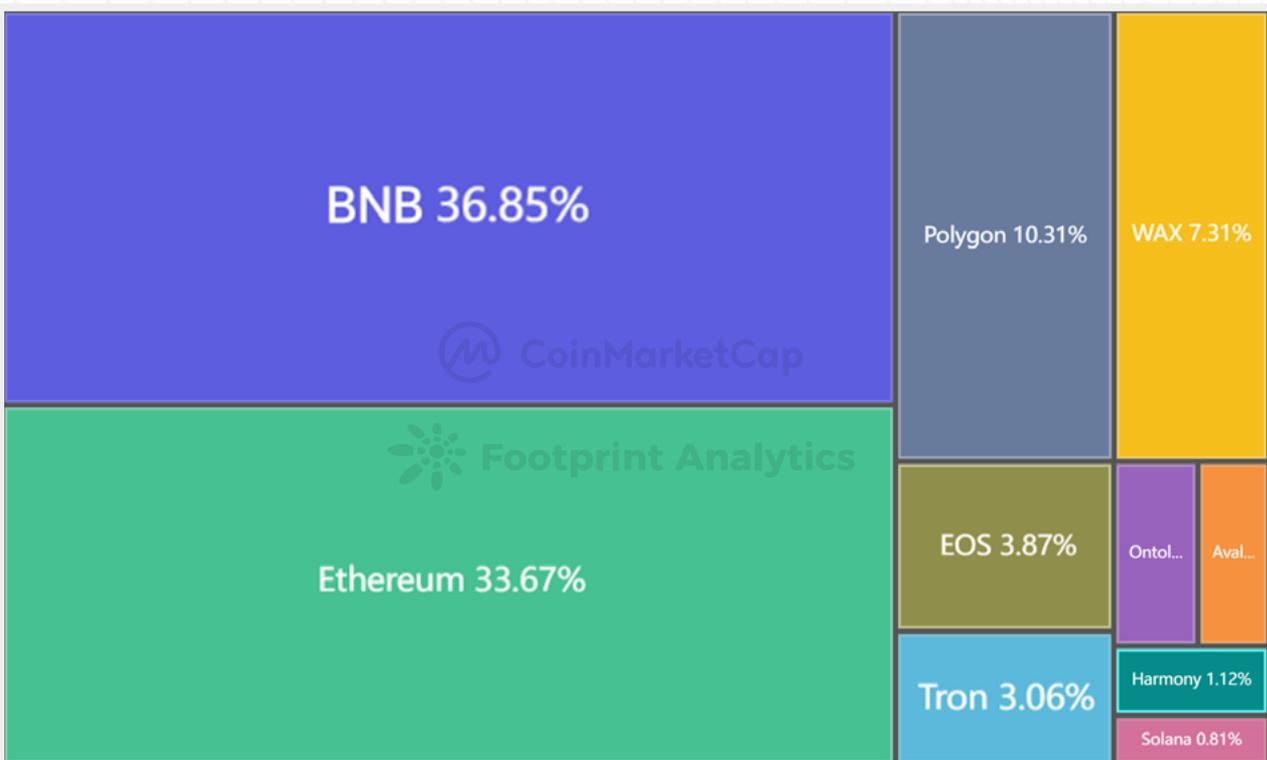


Figure 16 Gaming Volume by Chain



Figure 17 Gaming Volume by Protocol - BNB



Figure 18 Gaming Volume by Protocol - Ronin

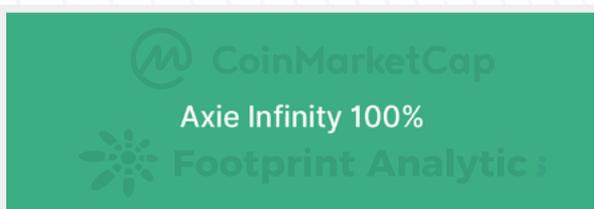
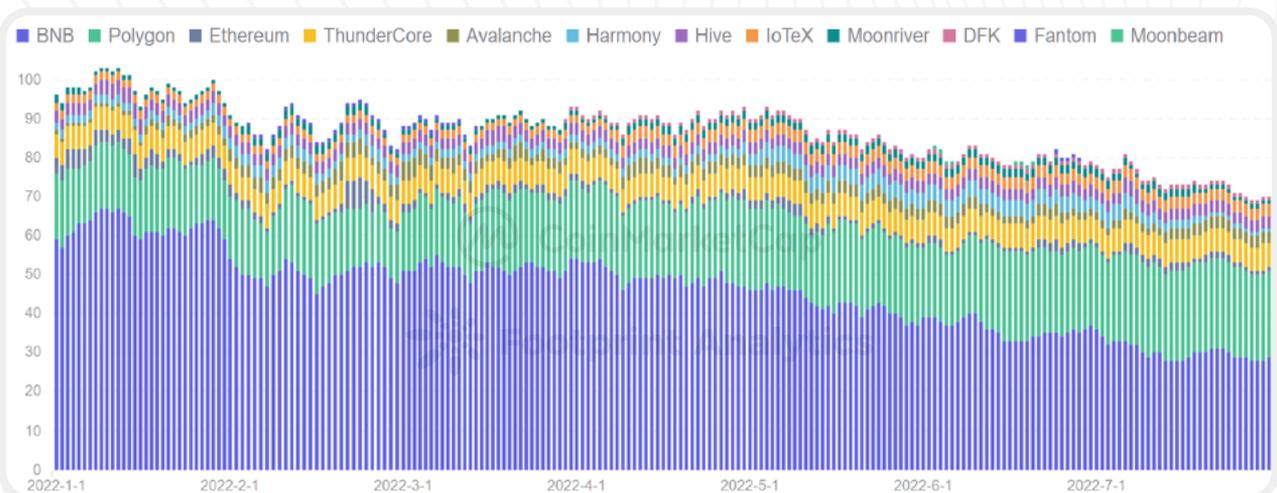


Figure 19 Gaming Volume by Protocol - Harmony



When looking at the number of active projects, which Footprint Analytics' data defines as having a minimum of 100 users active within the latest 5 days, there is a gradual decline across all chains. Although BNB Chain still has the highest number of active projects, it has seen a larger decline compared with Polygon.

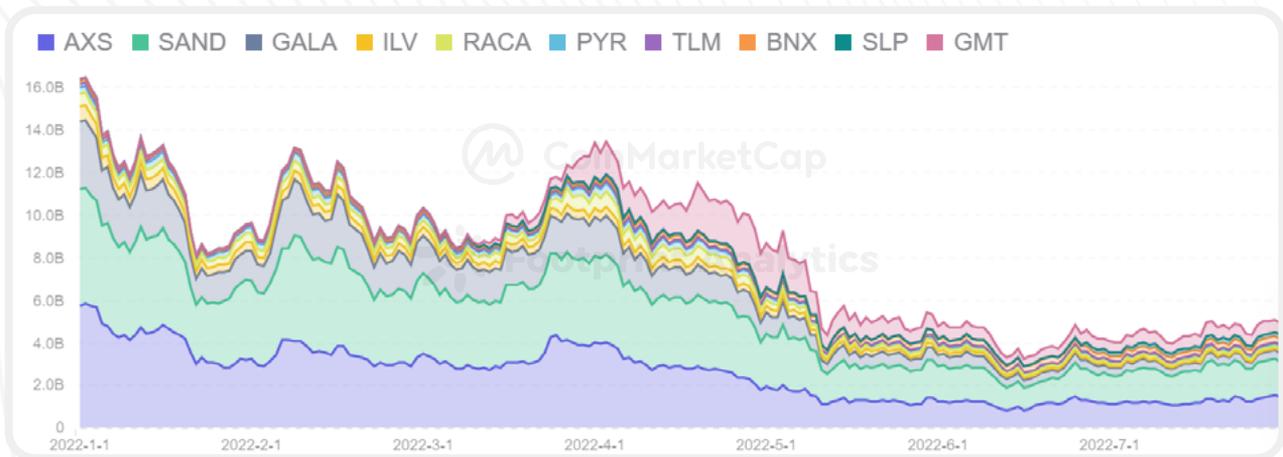
Figure 20 Active Projects by Chain



3 Top GameFi Tokens To watch

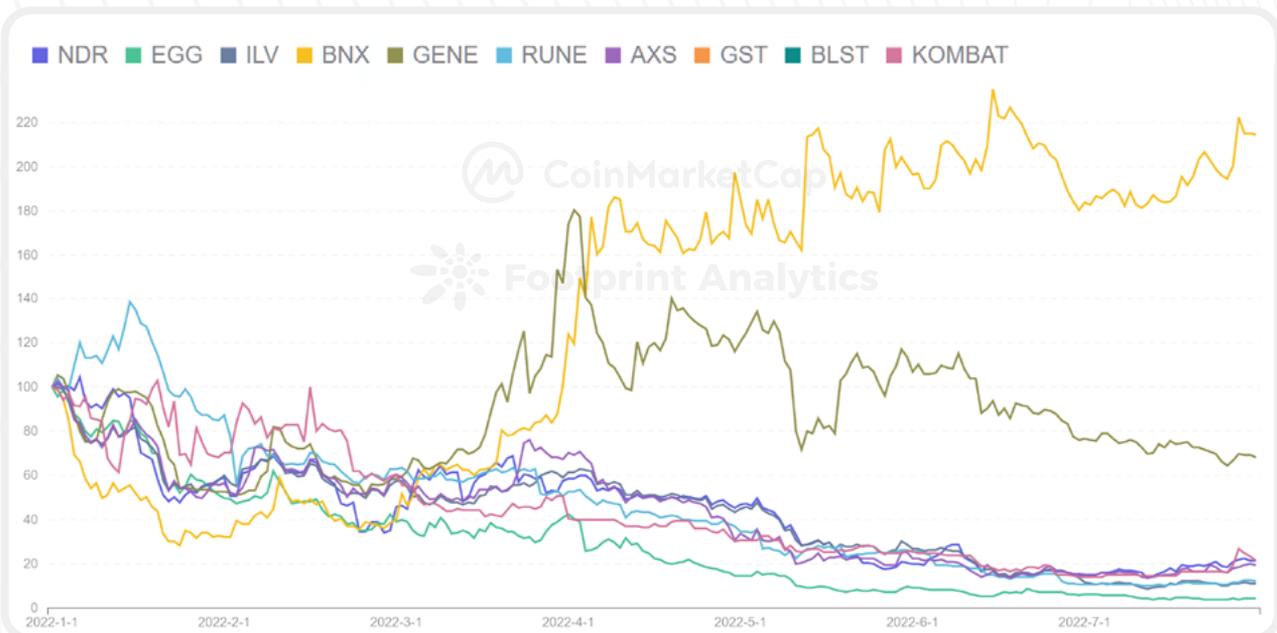
Although the bear market came in May, the GameFi market's mood has been uncertain since December 2021. Users have realized how the GameFi death spiral works, where a drop in either token price or players sets off a self-reinforcing downward cycle in both. As it stands, "play-to-earn" only works with a sustainable supply of new players joining the game. Skepticism of many games' futures has prompted more users to mint and sell assets quickly.

Figure 21 Top 10 GameFi Tokens by Market Cap ↗



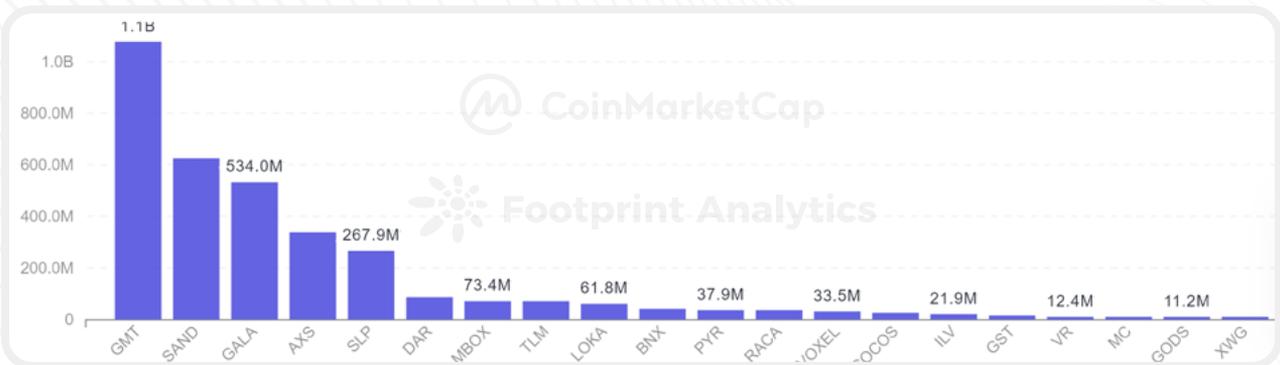
- ◆ Token prices and market caps are steeply trending to the downside, but some projects have managed to grow. For example, the price of [BinaryX's](#) token increased 8x from its lowest point to \$147 on June 14, an upward swing that began after the game made an upgrade in March that included new gameplay plus a new minting and upgrading mechanism for NFTs.

Figure 22 Top 10 GameFi Tokens Price (rebased to 100) ↗



- Once a highly hyped project in the recently trending move-to-earn sector, after the onset of the bear market, STEPN has seen a sharp drop in various metrics including GMT token active holders, new holders and deposits. [GMT](#) still has the highest trading volume at \$1.1 billion.

Figure 23 Top GameFi Tokens Average Trade Volume Ranking



- Green Satoshi Token ([GST](#)) — STEPN's utility token — also exploded in trading volume, reaching \$14 million, as the price collapsed, a symptom of the project being unable to control token dumping pressure even after continuous efforts.
- Compared to 2021 bull market conditions, most projects have now lost liquidity.

Figure 24 Top GameFi Tokens Average Trade Volume

Token Symbol	Average of 2022	Average of 2021	Growth
GMT	1,078,238,044		
SAND	628,618,221	1,190,288,612	-47.19%
GALA	534,029,022	511,079,690	4.49%
AXS	340,117,751	890,406,979	-61.8%
SLP	267,898,081	258,507,914	3.632%
DAR	89,871,759	163,639,824	-45.08%
MBOX	73,417,835	204,335,824	-64.07%
TLM	71,451,770	215,409,084	-66.83%
LOKA	61,814,329		
BNX	43,421,900	28,208,628	53.93%

4

GameFi Fundraising Analysis

This year, VCs started to focus more on investments in Web3, especially GameFi and Metaverse, as seen in the changes below. Namely, GameFi and Metaverse take up a much larger share of the investment pie at the behest of Tooling, Trading and Lending/Borrowing. The investment by VCs into these two categories has increased from \$874M in 2021 to \$2.4B in 2022.

Figure 25 2021 Number of Investment Market Share by Category

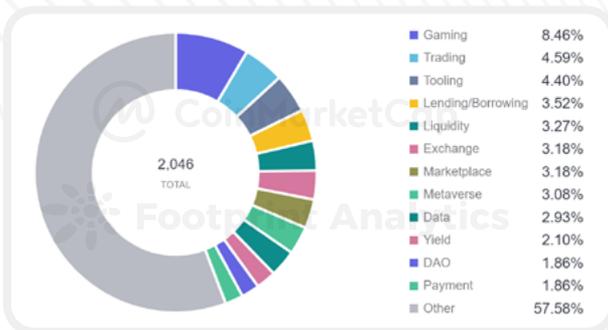


Figure 26 2022 Number of Investment Market Share by Category

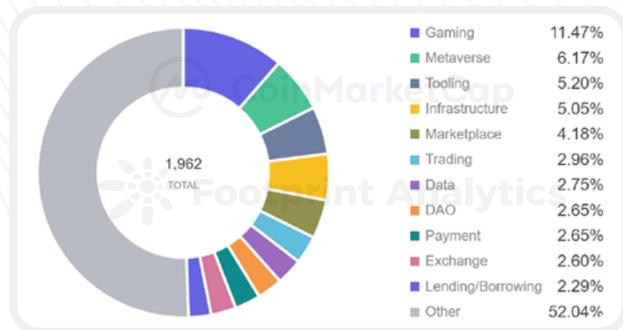


Figure 27 Investment Amount in 2021 and 2022 YoY

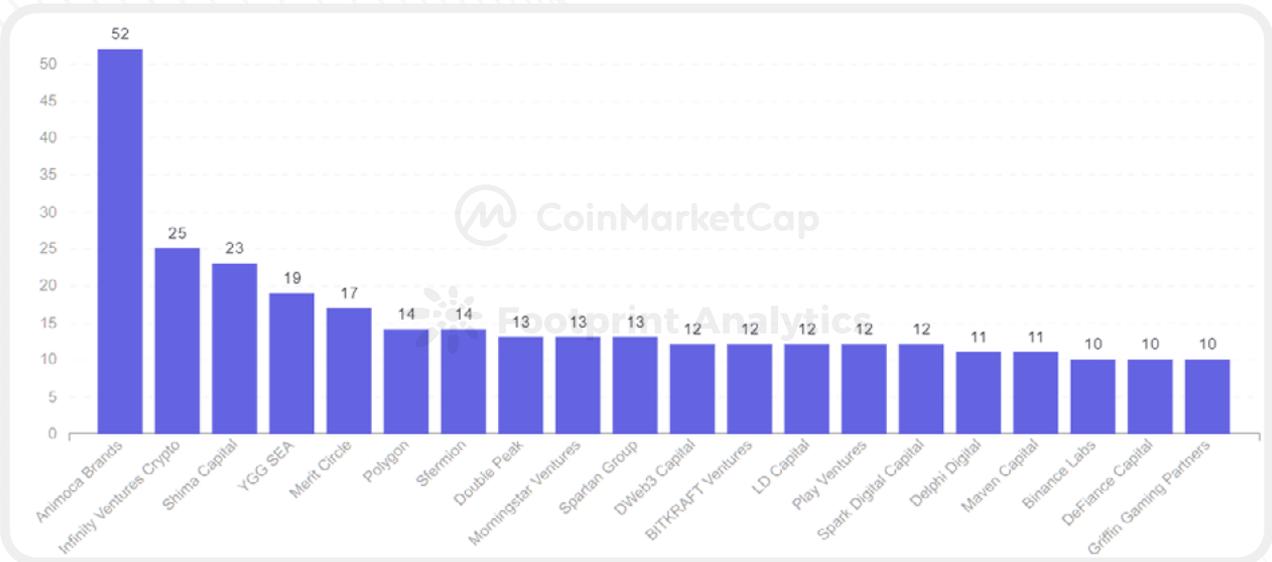
Sub Category	2022 Amount	2021 Amount	Growth
Metaverse	1,331,814,888	170,100,000	682.96%
Gaming	1,117,975,000	704,400,000	58.71%

- In terms of the deals funded, Epic Games received the most with \$2 billion investments from Sony Group Corporation and KIRKBI in April 2022. In terms of the number of projects, Animoca Brands leads with 52 projects invested in one year covering GameFi, metaverse, guilds, and so on.

Figure 28 Top Invested Projects

Project	Amount	Day	Round
Epic Games	2,000,000,000	2022-4-11	Unknown
Animoca Brands	358,888,888	2022-1-18	Unknown
Immutable	200,000,000	2022-3-7	Unknown
Sky Mavis	150,000,000	2022-4-6	Series C
Animoca Brands	75,320,000	2022-7-12	Unknown
GEMS	50,000,000	2022-5-23	Unknown
Wildcard	46,000,000	2022-6-14	Series A
N3twork Studios	46,000,000	2022-5-18	Series A
Loco	42,000,000	2022-3-10	Series A
Fan Controlled Football	40,000,000	2022-1-12	Series A

Figure 29 Number of GameFi Projects by Investor



- Investments in GameFi and Metaverse are still concentrated in the seed round, making up 48% of the total deals which signifies that the market is still in the early development phase.

Figure 30 GameFi Fundraising Round

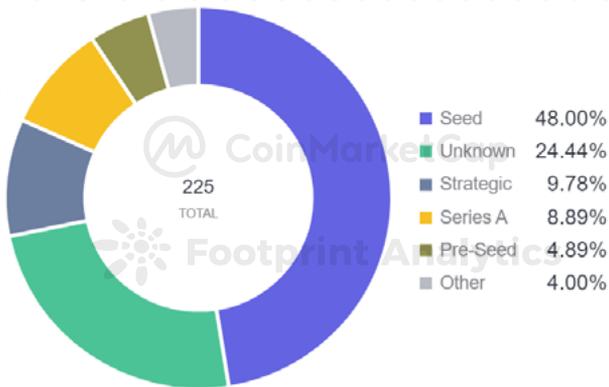
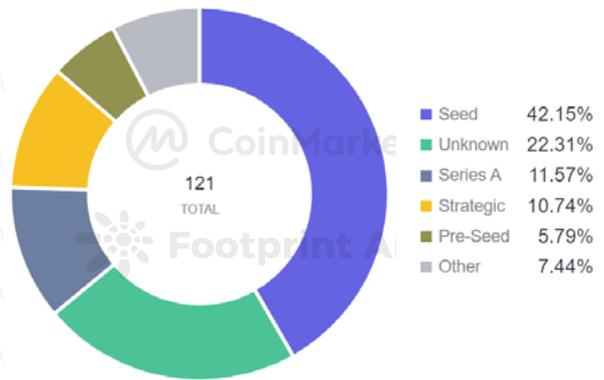


Figure 31 Metaverse Fundraising Round



2022 Notable GameFi Fundraises Roadmap

Fan Contolled Football **1** Jan.12
\$ 40M

Jan.18 **2** **Animoca Brands**
\$ 358.88M

Immutable **3** Mar. 7
\$ 200M

Mar.10 **4** **Loco**
\$ 42M

Iskra **5** Apr. 6
\$ 34M

Apr. 6 **6** **Sky Mavis**
\$ 150M

Epic Games **7** Apr.11
\$ 2B

May. 6 **8** **Heagin**
\$ 39M

N3twork Studios **9** May.18
\$ 46M

May.23 **10** **BUD**
\$ 36.8M

GEMS **11** May.23
\$ 50M

Jun.14 **12** **Wildcard**
\$ 46M

Planetarium **13** Jul. 6
\$ 32M

Jul.12 **14** **Animoca Brands**
\$ 75.32M

5

Spotlight: H2 2022 - Game To Watch

"The unreleased AAA blockbuster"

What will matter in GameFi soon is whether the handful of highly-anticipated, expensive titles will live up to the hype.

The narrative in GameFi is that current games lack quality and have unsustainable tokenomics. However, once AAA games come out, these will bring GameFi to the masses after the bear market, solving much of the current problems.

These are slated to start going out in 2022 and 2023. The main ones to watch are:

• Illuvium



• Phantom Galaxies

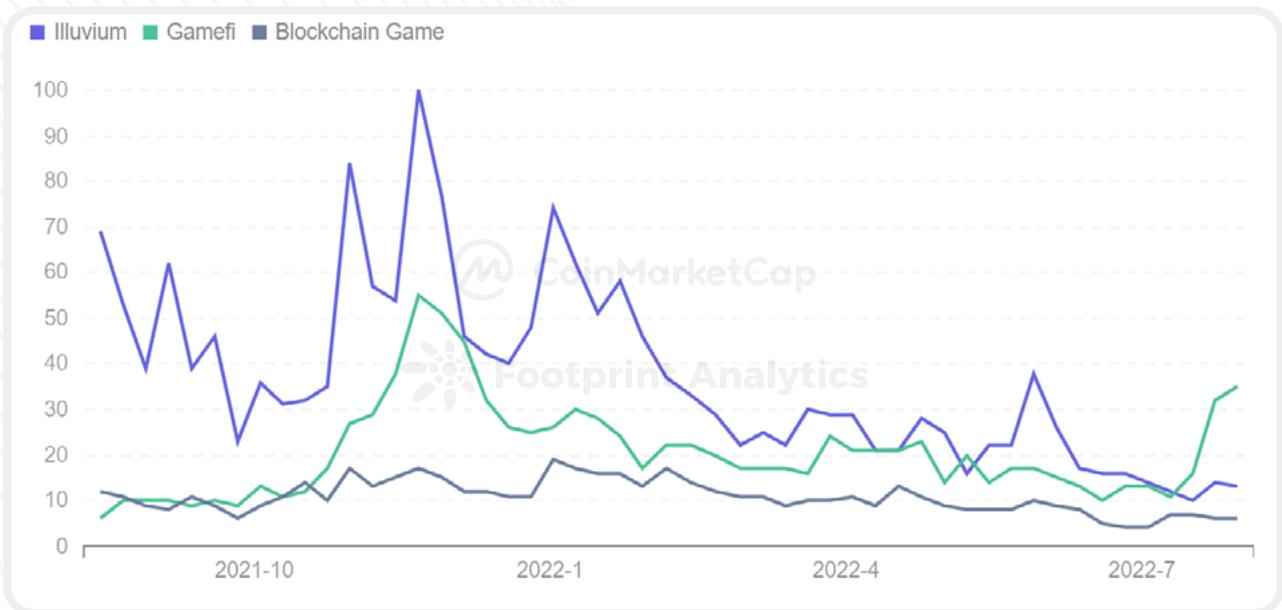


• Big Time



- Illuvium the game itself is yet to be launched, however it has gathered great interest as it promises to be the first major AAA game and has a star team of blockchain and game developers behind it.

Figure 32 Google Key Search Terms Analysis — Interest Over Time for Illuvium, GameFi, and Blockchain Games ↵



- ◆ Phantom Galaxies, which is a joint project between Animoca Brands and Blowfish Studios, offers a taste of what will likely be the future of blockchain game development — collaboration between proven studios in traditional gaming and blockchain, with enormous resources to get projects off the ground.
- ◆ Big Time is being developed by Big Time Studios, founded by Decentraland co-founder Ari Meilich. It promises gamers a true AAA RPG experience, plus an easier onramp with its own hosted wallets.
- ◆ The teams behind these projects have a record of success in both blockchain and gaming, and the resources to potentially make a AAA title work.
- ◆ Will they win over the regular gaming market? If they do, will the chains be able to handle the influx of users? Those betting big on Web3 and blockchain gaming should be holding their breath right now, hoping they perform as well as people expect.

Spotlight: H2 2022 - Chains To Watch

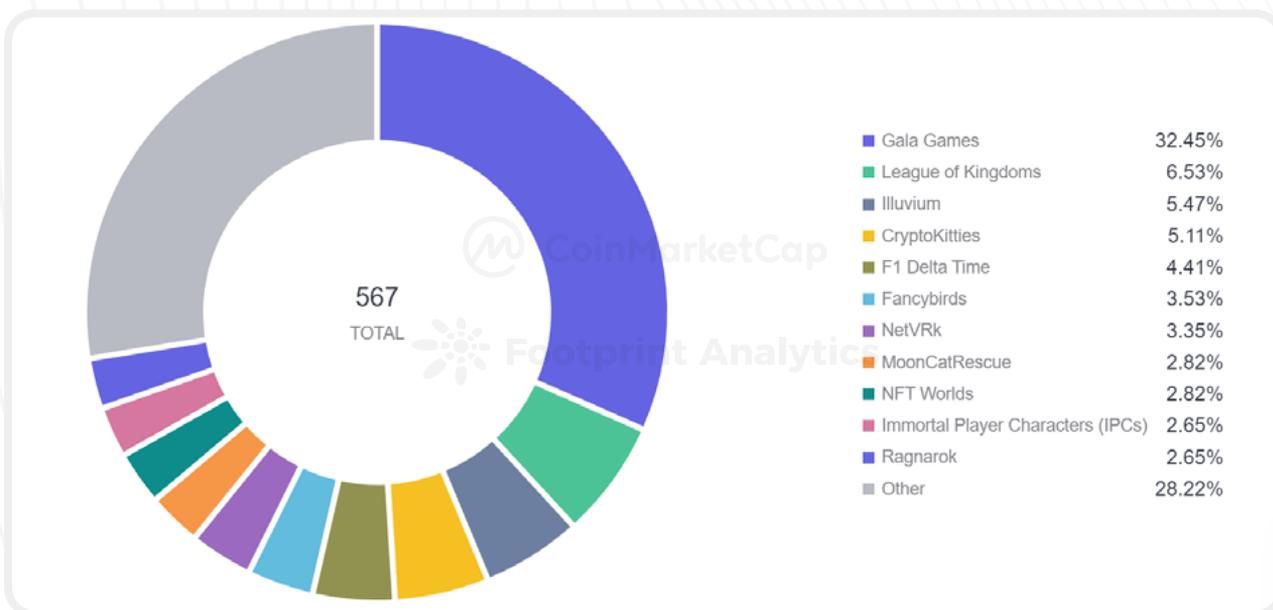
Ethereum

The future doesn't always belong to the newest thing. While many chains are doing exciting things, [Ethereum](#) still holds the most mindshare, and has the biggest developer community by far.

Combined with the development progress the Ethereum Foundation is making on the efficiency and scalability front, the chain could easily take a significant share of the GameFi market if it performs well, as the influx of chains was primarily driven by Ethereum's congestion and high gas fees.

Both Illuvium and Big Time will run on Ethereum, and STEPN has already expanded to Ethereum. Depending on ETH's scaling solutions and how well it handles congestion, it may become the go-to chain for gaming. These developments will align to stress test Ethereum upgrades.

Figure 33 Ethereum July 31 Active Users by Project ↗



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