

## Weekly News Digest #11

26

# of announced deals

\$4B

announced deals' size

19

# of closed deals



ironSource goes public via SPAC at \$11.1B valuation

Israel-based **ironSource** will go public through the merger with special purpose acquisition company (SPAC) **Thoma Bravo Advantage** at \$11.1B combined post-money equity value.

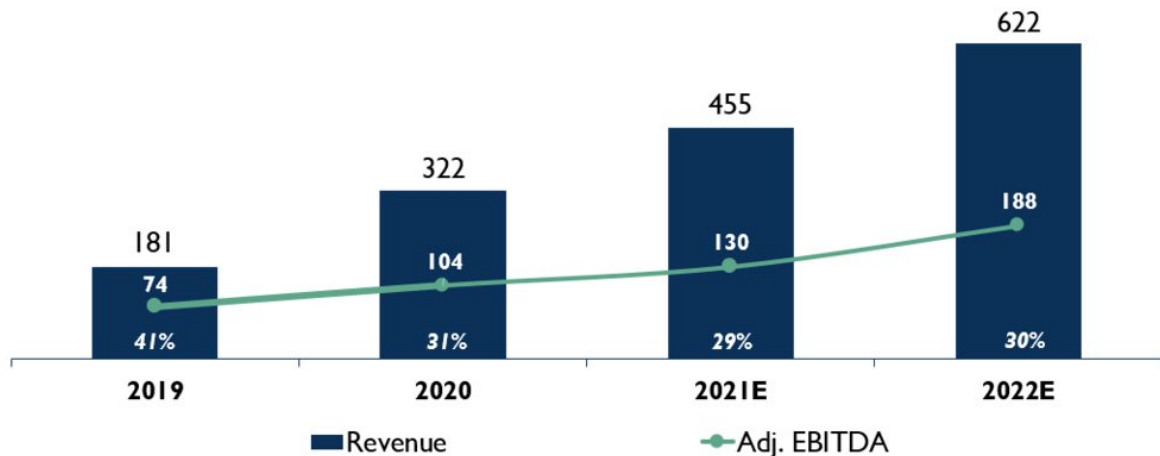
Post-transaction the company will have around \$740m of unrestricted cash on its balance sheet with ironSource shareholders owning approximately 77% of shares in the company. The post-money enterprise value would be equal to \$10.3B.

In 2020, ironSource reported \$332.9m Revenue (+83% compared to 2019) and \$104m adj. EBITDA resulting in 31% margin. The implied valuation multiples are close to global SaaS companies:

— based on 2021E: 22.5x EV/Rev'21 and 79.5x EV/adj. EBITDA'21;

— based on 2022E: 16.5x EV/Rev'22 and 55.0x EV/adj. EBITDA'22.

ironSource's financial performance, in \$m



### Business Overview

Founded in 2010, ironSource is a software development business specializing in the distribution and monetization of apps with a particular focus on mobile games via its ad network, mobile ad mediation, and UA platforms.

ironSource claims to be the #3 independent ads platform for game developers after Google and Facebook. ironSource Sonic solutions are used by 90% of the top-20 most downloaded games worldwide. Among its customers and partners are such gaming companies as Activision, Playrix, Square Enix, Big Fish Games, Jam City, and many others — the company reports over 2.3 billion MAU across its global customer base.

In Feb 2020, ironSource launched hypercasual game studio Supersonic, which focuses on the development and publishing of ad-driven games. Games published by the studio have shown around

497m downloads in 2020 with an estimated annual revenue of \$35m.



Sony: esports, cloud gaming, and new game development studio

Last week **Sony** announced three deals made through different subunits of the company:

**PlayStation** has invested an undisclosed sum in new Montreal-based game development studio **Haven Entertainment Studios**, founded by industry veteran Jade Raymond, who worked for Google Stadia, EA, and Ubisoft. The debut title of the studio is announced to be the original IP for PlayStation.

Sony's investment arm **Sony Innovation Fund** has participated in a funding round of Tokyo-based cloud gaming tech company **Ubitus**. The round was led by **Tencent**, with participation from **Square Enix**, and **Actoz**. Though the amount raised is undisclosed, according to Bloomberg's estimation the proceeds are \$45m at a valuation of less than \$400m. Founded in 2013, Ubitus provides game companies with white label turnkey cloud-gaming onboarding solutions. Ubitus' long-term ambition is to create the largest global cloud gaming SaaS platform.

**Sony Interactive Entertainment**, together with the newly founded **Endeavor's** esports venture RTS have acquired **Evolution Championship Series** (also known as Evo) through a joint venture partnership. Founded in 1996, Evo is one of the largest esports fighting events in Las Vegas. With the new shareholders and resources, Evo launches a new series of online esports competitions *Evo Online*.



Embracer Group has raised \$890m through a direct share issue

Sweden-based video game holding **Embracer Group** (SSE: EMBRAC B) has completed its direct share issue of Series B to the institutional investors, raising gross proceeds of ~\$890m (SEK 7.6B).

Embracer is known for its extremely strong M&A activity. In 2020, the company made 26 acquisitions for a total value of over \$1.4B. In Feb'21, Embracer acquired Gearbox Entertainment, Easybrain, and Aspyr Media for a maximum consideration of ~\$2.6B.

The new funding will further support the company's acquisition strategy, so we will definitely hear more about Embracer this year.



Keywords Studios acquires game developer Tantalus in Australia for up to \$46.8m

Dublin-based technical & creative gaming services provider **Keywords Studios** (LON: KWS) has entered into an agreement to acquire an Australia-based game developer **Tantalus**.

The transaction is structured in a two-step process:

- (i) acquisition of 85% of shares in Tantalus for a maximum consideration of \$46.8m; and
- (ii) put- and call- options to acquire the remaining 15% shareholding in the next three years.

Under 85% acquisition, Keywords will pay an initial consideration of \$30.6m (~60% in cash) and deferred consideration of up to \$16.2m (mix of cash and shares) based on the target performance over two years. Based on the target's adj. EBITDA for 2020 of \$6m, the transaction multiples are *5.1x upfront EV/EBITDA'20* and *7.8x total EV/EBITDA'20*.

With this acquisition, Keywords enters into the Australian video game development market and adds a talented team with 27-years of experience in developing A-quality multi-platform titles. Keywords continue expansion in the region via organic growth and acquisition strategy. It is the first Keywords acquisition in the Australian market and the first deal announced this year. In 2020, Keywords acquired 7 companies for a total deal value of ~\$108m.

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Founded in 1994 and led by Tom Crago, Tantalus has participated in the development of close to 100 titles across multiple platforms and genres, including such well-known franchises as *Age of Empires*, *Cities Skylines*, *Mass Effect*, *The Legend of Zelda*.

Nowadays, the company focuses on providing development services to the console (PS, Xbox, Nintendo Switch) and PC-based games. As stated on the company's website, it hires new programmers to work on exciting unannounced AAA title.

## Notable Transactions

### MERGERS & ACQUISITIONS

China-based conglomerate holding company **Tencent** has acquired 5% of shares of China-based online games developer **Century Huatong Group** for \$429m. With the acquisition, Tencent increased its stake in the company to 10% becoming the second-largest shareholder.

**Take-Two Interactive**'s subsidiary **2K Games** has entered into an agreement to acquire Canada-based sports games developer **HB Studios**, known for *The Golf Club* franchise and golf simulator *PGA TOUR 2K21*. The sum of the deal is undisclosed.

*UPDATE:* Sweden-based gaming-related business **Thunderful Group** has completed the acquisition of German multiplatform game publisher and developer **Headup** for up to \$13m (€11m).

Russia-based game developer, publisher, and distributor **MY.GAMES** has acquired an undisclosed minority stake in hyper-casual mobile games publisher Espresso Publishing.

Canadian international esports company **GameSquare Esports** has purchased Canada-based esports platform **Reciprocity** for a total sum of \$11.5m, paid fully in shares.

PC&console-focused racing games developer **Motorsport Games** has increased its stake in **704Games Company** from 82.2% to 89.9% for \$10.8m. Now the company plans to buy the remaining shares of the company from Ascend for the same price per share.

Canada-based video game digital media **Enthusiast Gaming** plans to acquire Activision Blizzard's fan community with related news, guides, and strategies **Icy Veins** for ~\$8.3m (€7m).

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### VENTURE FINANCING

Israel-based modding platform **Overwolf** has raised \$52.5m in Series C round, led by Griffin Gaming Partners and Insight Partners.

**Incredibuild**, a Tel Aviv-based distributed computing company, has received a \$140m investment from US-based venture capital firm **Insight Partners**. Though the valuation of the company is undisclosed,

Incredibuild is rumored to be valued somewhere around \$300m—\$400m.

Germany-based mobile game development studio **Stratosphere Games** has raised more than \$2.5m funding from US-based software investment fund **Skycatcher** and state-run **German Games Fund**. The proceeds support the development of a new mobile strategy codenamed *Project MiniCiv*.

Social intelligence platform **Trufan** has raised \$2.3m of Seed funding to support its further expansion into the gaming industry.

US-based competitive gaming and betting community **1v1Me** has secured \$2m during its pre-seed round, led by **On Deck** and other investors. The funding will be used to launch an online gaming wagering platform.



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