

Weekly News Digest #12

17

of announced deals

\$12.4B

announced deals' size

12

of closed deals



MTG acquires Ninja Kiwi and completes a direct share issue

Ninja Kiwi acquisition

Stockholm-based investment holding company with assets in esports and gaming **Modern Times Group** (ST:MTGA) has entered into an agreement to acquire New Zealand-based mobile tower defense games developer **Ninja Kiwi** for a total consideration of \$189m, including:

- \$141.4m upfront, paid 56% in cash and 44% in newly-issued Class B shares;
- several earn-out considerations for a total of \$47.2m depending on the target's profitability within 3 next years, paid 73% in cash and 27% in class B shares subject to a 12 months lock-up period.

Based on Ninja Kiwi performance in 2020 (\$39.2m Revenue and \$19.2m adj. EBITDA) the transaction multiples are **3.6x EV/Revenue** and **7.2x EV/adj. EBITDA** w/o earn-outs and **4.8x EV/Revenue** and **9.7x EV/adj. EBITDA** including earn-out payments. The deal is expected to close in Q2'21.

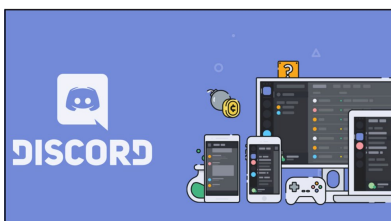
This is the fourth time MTG acquires a gaming company and the first acquisition outside Europe. Previously, MTG added mobile/PC game developers **Kongregate**, **InnoGames**, and mobile racing expertise of **Hutch**.

With this acquisition, MTG gets an established portfolio of mobile tower defense games. Founded in 2006, Ninja Kiwi is best known for its *Bloons Tower Defence* franchise, and currently employs over 70 people with HQ in New Zealand and an office in Scotland. Since its first release in 2007, the company has been regularly publishing sequels, characterized by hybrid monetization (combination of paid and in-app purchases) and strong organic traffic.

Overall, Ninja Kiwi games have been downloaded over 140m times, with 1.1m DAU and 6.2m MAU. Some of the games are available on PC, including *Bloons TD*, *SAS: Zombie Assault 4*, and *Bloons Monkey City*. However, the absolute majority of the games are for mobile.

Direct Share Issue

Modern Times Group has closed a direct issue of ~9.7m Class B shares at ~\$13 per share, raising approximately \$127m (SEK 1.1B). The proceeds will be used to finance the Ninja Kiwi acquisition and enhance the company's financial flexibility. Moreover, around 4.8m of the shares will be allocated to US-based investment company **Atairos**, thus making it a significant MTG shareholder.



Microsoft May Acquire Discord For More Than \$10B

Microsoft is rumored to be in talks to acquire gamers communication platform **Discord** — the potential

price of the acquisition may exceed \$10B. The negotiations are rumored to be underway, while Microsoft and Discord did not comment on the matter.

According to some sources, Discord has contacted Microsoft to measure the possible interest. The company has also allegedly held talks with both Epic Games and Amazon in the past. Neither of them commented on the situation.

VentureBeat reports Discord to hire **Qatalyst Partners** to evaluate potential deals. Qatalyst was also involved when Discord was for sale in 2018. Negotiations were being held throughout 2018, with potential bids varying from \$2B to \$6B, but the company decided not to accept any offers. Considering the failure of the previous sales processes Discord may not be purchased this time either.

Nevertheless, Discord acquisition seems to be a perfect fit for Microsoft's already established infrastructure. It may allow Microsoft to even further expand into the gaming industry and diversify its software offering, getting new cross-selling opportunities. Recent \$7.5B purchase of ZeniMax Media shows Microsoft is committed to the video game industry.

Though the company demonstrated a clear interest in sale of its business, some sources say there's a greater chance of Discord going public. Seems fair, considering more and more gaming-related and SaaS businesses going public at high multiples recently.



Rumors: Epic Games may be about to close \$1B funding round

According to Sky News, Epic Games is in the process of closing its new \$1B financing round, that could value the company at \$28B. For comparison, in Aug'20, when Epic raised \$1.78B, the company was valued at \$17.3B (+62% in 2021).

Bank of America Merrill Lynch is said to be advising the transaction. However, Epic's representatives declined to comment on the matter.

Epic has already made three acquisitions this year. The biggest one is **Tonic Games** — a developer behind multiplayer hit *Fall Guys*. Another two acquisitions are Slovakia-based photogrammetry software developer **Capturing Reality** and the technology and business of video game utility software development company **RAD Game Tools**.

Before that, the company acquired the world's largest photogrammetry asset library **Quixel**, digital facial animation firms **Hypersense** and **Cubic Motion**, as well as **3Lateral**, known for developing tools to create photo-realistic 3D human body models. Epic Games clearly seeks for new technologies to incorporate into Unreal Engine and acquires mostly software developers, rather than gaming companies.

Since Epic Games is surely a profitable business, we can assume that most probably the company raises investments to continue its add-on acquisitions spree.

The ByteDance logo, consisting of the word "ByteDance" in a blue, sans-serif font, with a stylized blue and yellow icon to its left.



ByteDance acquires Moonton Technology at \$4B valuation

ByteDance, through its gaming subsidiary **Nuverse**, has acquired Shanghai-based mobile games developer **Moonton Technology**. The consideration of the purchase is not disclosed, but the target's

valuation is estimated around \$4B.

ByteDance, which owns TikTok and the Chinese short video site Douyin, has made major strides into the video game industry. Through this purchase it obtains a title that would compete with Tencent's *Honor of Kings* and *League of Legends (Arena of Valor)* in the MOBA genre.

Founded in 2014, Moonton is a mobile games developer and publisher best known for its MOBA title *Mobile Legends: Bang Bang*, which is mostly played in Southeast Asia region, notably in Indonesia, Malaysia and Philippines, where it ranked as the most-downloaded iPhone app in 2017.

Notable Transactions

MERGERS & ACQUISITIONS

Take-Two Interactive's subsidiary **2K Games** has acquired US-based PC/console games developer behind *NBA 2K* sports simulators **HookBang** for an undisclosed sum. Last week, 2K Games entered into agreement to acquire **HB Studios**, a developer of *PGA TOUR 2K21* golf simulator.

Digital Turbine has entered into an agreement to acquire ~95% of mobile advertising monetization platform **Fyber** for up to \$600m. Last month, Digital Turbine also announced the acquisition of mobile game advertising and monetization company **AdColony** for \$400m.

VENTURE FINANCING

India-based fantasy sports company **Dream Sports** has raised \$400m at \$5B valuation. The company is known for its *Dream11* fantasy cricket games, which is said to have over 100 million users and is especially popular in India.

Rec Room has raised \$100m at \$1.25B valuation in a funding round led by Sequoia Capital and Index Ventures. The proceeds will help the company to further scale its 15 million users social gaming platform.

American RTS games developer **Frost Giant Studios** has raised \$5m of new funding. Founded last year by industry veterans, the company has already raised \$4.7m of funding in Oct'20.

US-based game developer **HiDEF** has closed \$7.5m funding round led by **Wick Capital Partner**, to support the development of their first game-as-a-service metaverse project.



Recent investment news in the gaming industry
Deals database, league tables, etc.

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