

## Weekly News Digest #2

22

# of announced deals

\$2.6B

announced deals' size

17

# of closed deals

Hi everyone,

The year has just begun, but we already have a lot to share with you. First, we took part in the Elite Game Developers webinar '2020 in Review'. Together with Joakim Achren, we discussed the most notable deals, investors, and trends of the year. Be sure to check the recording by [following the link](#).

Second, we have published our new Annual InvestGame Report. Please feel free to [download the report in pdf](#).

The gaming market shows a great start of 2021 with about \$2.6B announced deal value, including \$1.9B IPO of Playtika IPO and \$0.5B Roblox's funding round. Moreover, today, Polish mobile game studio **Huuuge Games** [has announced](#) its future IPO on the Warsaw Stock Exchange with plans to raise up to \$150m (to be analyzed in our next digest).



### Playtika raised \$1.88B through initial public offering

Israel-based mobile social games developer and publisher **Playtika (NASDAQ: PLTK)** raised \$1.88B through the IPO on NASDAQ at a price of \$27 per share, above its target range of \$22-24. On the first day of trading, prices went up to \$31.62 per share (+30%), which eventually led to the market cap of \$13.5B. Trading multiples based on LTM ended Sep'2020 are **~7x EV/Revenue** and **~19x EV/EBITDA**, assuming a current EV of \$15B.

Of the total 69.5m shares, 51m (\$1.4B) shares were offered by the actual majority shareholder, and 18.5m (\$0.5B) shares were offered by Playtika. After the completion of the public offering, Playtika will continue to be a "controlled company" with about 80% of voting power belonging to a Chinese investor, Yuzhu Shi.

[Read more about Playtika's filing](#)



### Roblox raised \$520m ahead of direct listing

CA-based video game platform **Roblox** has raised \$520m in a Series H funding round led by Altimeter Capital and Dragoneer Investment Group, right after recently announced plans of going public under the "RBLX" ticker. This round values Roblox at \$29.5B, which is over 7x times higher than the valuation at the Series G round in Feb'2020.

Moreover, Roblox also [announced](#) its switching to *direct listing* instead of traditional IPO in early Feb-

2021. Such a move could be explained by recent changes in SEC policy regarding NYSE direct listing — bringing an opportunity to raise primary capital in line with the first trade.

### Read more about Roblox's filing



### Motorsport Games raised ~\$69m through IPO

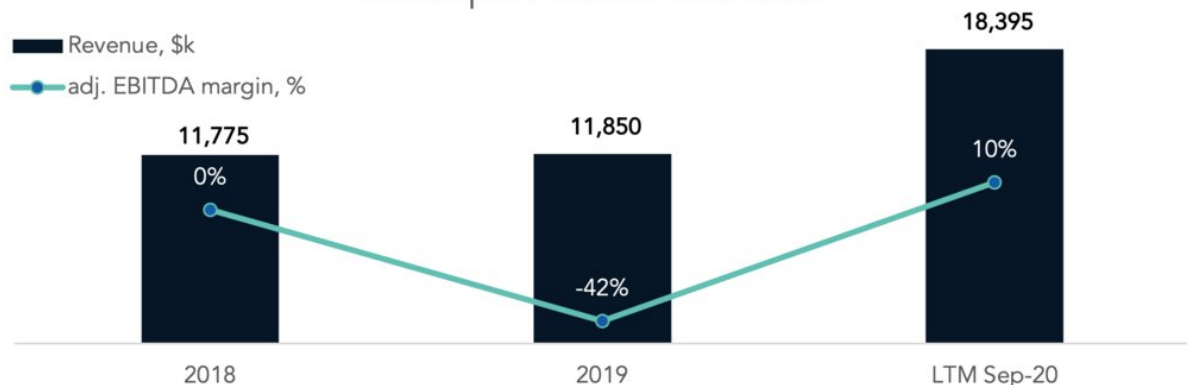
PC&console-focused racing games developer **Motorsport Games (NASDAQ: MSGM)** has raised \$69m gross proceeds at \$20 per share price through IPO on NASDAQ. Raised proceeds will be used for further expansion into the mobile space, development of racing MSG engine, repayment of \$10.4m outstanding debt, as well as potential acquisitions. After IPO, Motorsport Games remains a “controlled company”, being a wholly-owned subsidiary of Motorsport Network.

Founded in 2018, Motorsport Games is a multi-platform racing game developer and publisher of racing games, well-known for the NASCAR series. The franchise was brought in-house via the acquisition of 704 Games, the original owner of an exclusive license to the NASCAR franchise. The last installment of the franchise, NASCAR Heat 5, was published in Jul'2020. Currently, the company is working on a next-gen NASCAR NXT console AAA racing simulator, which is expected to be released in mid-2021. The company also plans to launch a new, redesigned NASCAR Heat Mobile in 2021.

Motorsport Games is also engaged in multiple Esports racing events and competitions (e.g. *NASCAR Heat Pro League*, *Le Mans Esports Series*, *Official DiRT Rally*). During the first nine months of 2020, the company organized 53 esports events. However, the esports revenue constitutes 2% of the total company's bookings.

One of the major concerns about the company is its heavy reliance on a few racing franchises/licenses in a PC&console sector. The genre is characterized by fierce competition with a consolidated market, that has several major players, including: 1) Electronic Arts (*NFS franchise*) with a recently announced proposal to acquire Codemasters (*DiRT*, *F1*, *Project Cars*); 2) *Gran Turismo* (exclusive for PS published by Sony); 3) *Forza* series (exclusive for Xbox published by Microsoft); 4) *The Crew* (multiplatform published by Ubisoft), and 5) *WRC series* (multiplatform published by NACON).

### Motorsport Games financials



Since its inception, the company has demonstrated an unstable growth with plato revenue in 2019, and a recent jump of +55% over LTM ended Sep'2020. Adjusted EBITDA has shown a low-margin profile and unpredictable trend, with EBITDA margin fluctuating from negative to positive over the year. Despite EBITDA recovery in 2020, the numbers are still relatively low compared to other PC&console studios.

Apart from PC&console games, the company has published one mobile title *NASCAR Heat Mobile*, which demonstrated limited performance with ~1.3m downloads and \$1.2m in-app net revenue in 2020.

During the first days of trading, share prices spiraled from \$20 to \$30 per share (+50%), which eventually led to the market cap of \$510m. Trading multiples based on LTM ended Sep'2020 are **~28x EV/Revenue** and **~273x EV/EBITDA**, assuming a current EV of \$517m. The multiples seem to be unusually high, considering the relatively unstable and weak financials.

[Read more about Motorsport Games filing](#)

## Notable Transactions

### MERGERS & ACQUISITIONS

**Westbridge Capital** has sold its remaining stake in Indian mobile gaming company **Nazara Technologies** to Indian **Plutus Wealth Management** for about \$68m. Recently, Nazara announced IPO plans — it's first India's gaming IPO and the second attempt for the company to go public after 2018.

Just after the IPO announcement, Israel-based advertising tech company **ironSource** has acquired mobile apps monetization analytics company **Smoola** for an undisclosed amount.

**Nintendo (TYO: 7974)** acquires Canadian console game developer **Next Level Games**. The companies have been working together for years and the acquisition came as no surprise, especially after the successful *Luigi's Mansion 3* launch in 2019.

American game developer, publisher, and distributor **Epic Games** has acquired US-based video games software developer **RAD Game Tools** for an undisclosed sum.

Pokémon Go developer **Niantic** has acquired an online platform for gaming communities **Mayhem** for an undisclosed sum.

The acquisition of US-based developer **Heavy Iron Studios** by Dublin-based technical & creative gaming services provider **Keywords Studios** (LON: KWS) for \$13.3m is now closed.

Canadian esports organization **Gamesquare Esports** (FRA: 29Q1) has entered into an agreement to acquire another Canadian esports company **Reciprocity** for about \$11.4m.

Sweden XR solution provider with mobile gaming apps **Bublar Group** (FRA: 3MB) has acquired user-generated 3D animated movies platform **Plotagon** for about \$1.86m.

After raising \$100m in Series B funding round, led by Tencent, Shanghai-based esports company **VSPN** has acquired esports events and games marketing company **Banana Gaming & Media**.

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### VENTURE FINANCING

Esports sponsorship and audience analytics platform **Cavea** has raised about \$1.2m of funding from The Danish Growth Fund and several other investors.

Chinese esports organization **Bilibili Esports** has raised about \$27.9 in a Series A funding round led by Zhejiang Chuangxiang Cultural Fund, with participation from Zhejiang Publishing and Zhejiang Radio and Television Media Group.



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