

Weekly News Digest #3

20

of announced deals

\$1.1B+

announced deals' size

16

of closed deals

Hi everyone,

The investment activity in the gaming market continues to accelerate with the recent IPO announcements of Huuuge and Krafton. The latter may become one of the biggest gaming companies worldwide with a \$27B rumored valuation. Furthermore, Microsoft, Google, and Amazon consider acquisitions in the gaming space, [as reported by Brad Sams](#).

Tencent is also on the edge to acquire some large gaming business (U.S.- or South Korea-based), considering debt financing of several billion dollars, [as reported by TMT Finance](#). Such a step is what you can expect from the #1 strategic investor, [based on the InvestGame Annual Report](#). Our colleagues at Niko Partners have published an update on Tencent deals over 2020. We've integrated the [Niko Partners'](#) and [Master the Meta's](#) data into our deals database and published it [here](#).



[Huuuge shared IPO details: planning to raise \\$150m](#)

Poland-based social casino game developer and publisher [Huuuge Games](#) has officially announced its intention to raise approximately \$150m via IPO on the main market of the Warsaw Stock Exchange.

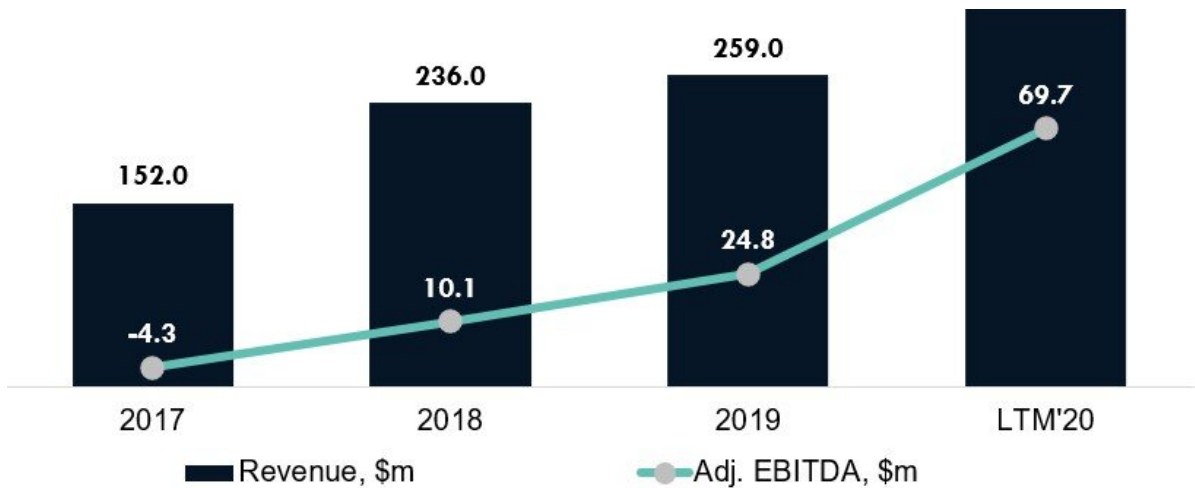
- The company plans to use most of the future proceeds to support further potential acquisitions expanding its core social casino games portfolio and publishing capabilities;
- In addition to the sale of new shares, shareholders will publicly sell existing shares leading to a free-float rate of over 25%.

Founded in 2014 by Anton Gauffin, [Huuuge Games](#) is a F2P mobile game developer and publisher, mainly known for social casino titles. Huuuge operates through 3 core business divisions:

- *Mighty*: development and publishing of social casino games;
- *Brave*: publishing of casual games;
- *HuuugeX*: research and early-stage development of casual games.

Business highlights

- Consistently ranked in the *top-50 global mobile game developers* by gross revenue;
- Growing and profitable business with *30% revenue CAGR* (2017—LTM'20) and *22% EBITDA margin* for the nine months ended Sep'20;
- *97% of revenue* comes from *two flagship social casino games*: Huuuge Casino and Billionaire Casino;
- *4.7m MAU* and *~1m DAU* for the nine months ended Sep'20;
- closed 3 acquisitions in 2020 including Playable Platform (AI-driven ads), Double Star (mobile casual RPG), and Treasure Hunt (casual puzzle game);
- over *600 employees* working in 10 countries with *HQ in Poland*.



Major concerns

- Aged and undiversified top-grossing product portfolio with Huuuge Casino released in 2015 and Billionaire Casion released in 2016; both being in social casino and accounting for 97% of bookings.
- Though recently launched Star Slots demonstrates positive dynamics, it is still in a scaling phase with unproved revenue potential generating approximately \$600k monthly gross revenue.
- Compared to the in-house products, 3rd party games published by Huuuge haven't shown much success yet, but some of them (Traffic Puzzle and Dominoes Party) could become a great add-on to Huuuge's product portfolio with the potential to be acquired in the future;
- So far, Huuuge has made 2 mobile gaming acquisitions (Double Star, Treasure Hunt). Both investments haven't shown great results yet.



Krafton prepares for IPO at rumored \$27B valuation

South Korean gaming holding **Krafton** plans to go public on Korea Exchange Market (KRX) in mid-to-late 2021. The potential proceeds may reach several billions of dollars and bring the company's valuation up to \$27.2B as reported by Eugene Investment & Securities Co.

- The IPO could make Krafton one of the world's most valuable gaming companies;
- The public offering will allow Krafton to expand in other entertainment sectors with its IP (e.g. movies, animated series) and portfolio diversification;
- Tencent is the 2nd largest shareholder in the company, owning a 16% stake.

Founded in 2007, Krafton is best-known for PlayerUnknown's Battlegrounds franchise, developed by its Subsidiary PUBG Corp, which has recently merged its publishing and support functions with Krafton to focus solely on game development.

Currently, Krafton works on several projects, based on PUBG franchise, including a new mobile battle royal, a survival horror in futuristic setting, and an unannounced PC&console title.



The Carlyle Group has acquired Runescape's developer Jagex

Global private equity firm **The Carlyle Group (NASDAQ: CG)** has acquired the UK-based developer and publisher of PC&mobile MMORPG **Jagex** from US-based global asset management company **Macarthur**

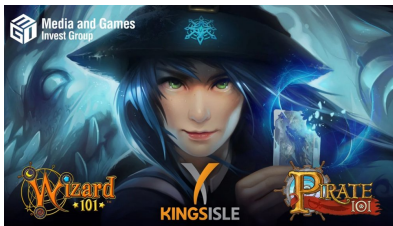
Fortune Holding.

The deal purchase price was not disclosed. However, given the peak popularity achieved in 2020 with an all-time high number of online subscribers and +1.2m new players joining *RuneScape*, the valuation could be over \$640m — a 20% increase to the previous acquisition price of \$530m paid by Macarthur for Jagex in Apr'20.

Jagex is known for its long-living web and mobile MMORPG franchise *RuneScape*. Since the launch of the first web game in 2001, the franchise has expanded into the mobile platform. Since the inception, the franchise has generated more than \$1B lifetime revenue and attracted more than 300m of players

The company plans to:

- a) integrate cross-play functionality between the PC and mobile platforms;
- b) expand publishing division with the first Jagex Partners' title to be published later this year;
- c) continue investing in the development of new online games.



Media and Games Invest acquires Kingsisle for up to \$210m

MGI (ETR: M8G) entered into an agreement to acquire 100% of US-based PC&mobile developer **Kingsisle Entertainment** for the total consideration of up to \$210m paid fully in cash, including:

- an upfront payment of \$126m in four installments with \$63m paid at closing and the remaining \$64m in the next 18 months;
- earn-out consideration of up to \$84m based on Kingsisle's revenue in 2021.

Based on the expected financial performance for 2021, the transaction valuation multiples are:

- **3.9x** EV/Revenue are **6x** EV/EBITDA without earn-out consideration;
- **6.6x** EV/Revenue are **10x** EV/EBITDA including maximum earn-out consideration.

The acquisition added \$12m EBITDA – a notable 60% increase to Group's EBITDA as of Q3'20. The transaction is in line with the MGI's buy-and-build strategy that resulted in 30+ transactions and 40% YoY revenue growth rate over the last six years.

Media and Game Invest is a multiplatform games publisher and digital media company, known for such online games as *ArcheAge*, *Trove*, *Fiesta*, and *Aura Kingdom*. The company has strong presence in MMO, while also having a solid singleplayer casual games portfolio. Currently, MGI is working on publishing 10+ unannounced titles that are expected to be released this year.



Nacon acquires Big Ant Studios for ~\$42.6m

French gaming devices distributor and PC&console AA-games publisher **Nacon (EPA: NACON)** has acquired Australia-based sports simulation games developer **Big Ant Studios** for up to ~\$42.6m:

- an initial payment of ~\$18.3m;
- an earn-out consideration of ~\$24.3m paid half in cash and a half in newly-issued Nacon shares, based on the studio's performance till the end of Mar'24;

- The completion will take place in Feb'21.

Founded in 2001, Big Ant Studios is a PC&console sports games developer, known for such game series as *AO Tennis* and *Rugby League Live*. Last year, the company acquired two other PC&console game developers:

- Belgian studio Neopica, known for *Hunting Simulator* and *FIA European Truck Championship* games;
- Italian Lunar Great Wall Studios, a developer behind surreal fantasy adventure *Another Sight*.

In February, Nacon also acquired RIG headset brand from Plantronics, which complemented Nacon's accessories portfolio.

Notable Transactions

MERGERS & ACQUISITIONS

Opera has acquired UK-based game development software provider **YoYo Games** from **Playtech** for \$10m. YoYo Games' main product GameMaker together with Opera GX will form the cornerstone of Opera Gaming — a new division focused on expanding Opera's presence in the gaming area.

Tencent agreed to purchase a majority stake in **Klei Entertainment**, a Canadian indie game developer behind titles: *Griftlands*, *Don't Starve*, and *Oxygen Not Included*.

Tencent's mobile publishing subsidiary **Miniclip** has acquired Dutch mobile game developer **Gamebasics** for an undisclosed sum.

Vicarious Visions is being merged into **Blizzard Entertainment**. Since 2005, when the studio was acquired by **Activision**, Vicarious Visions has worked on many games, including *Tony Hawk's Pro Skater 1+2*, and *Crash Bandicoot N.Sane Trilogy*. Now it is rumored to be working on the remaster of *Diablo 2*.

Team17 has announced the acquisition of all rights and assets for GWYF from **Blacklight Interactive** for an initial consideration of ~\$12.4m, and an additional payment of ~\$4.1m within next 12 months.

France-based private equity firm **Sagard NewGen** has acquired a minority stake in French PC&console developer **Asobo Studio**, known for such games as *A Plague Tale: Innocence*, and *Microsoft Flight Simulator*.

American students esports leagues organizer **PlayVS** has acquired another esports company working with educational institutions **GameSeta**. This will help the company to expand into the Canadian market.

Swedish video game holding company **Three Gates** has acquired German mobile and web games developer **gameXcite** for a total consideration of about \$2m.

VENTURE FINANCING

Shanghai-based esports company **VSPN** has raised a \$60m Series B+ funding round, joined by Prospect Avenue Capital (PAC), Guotai Junan International, and Nan Fung Group.

India-based live-streaming platform **Turnip** has raised \$1.6m of Seed funding.

PUBLIC OFFERINGS

Entertainment platform and esports company **Enthusiast Gaming Holdings (TSX: EGLX)** has increased the sum of its previously announced bought deal financing to ~\$40m as shares trade at an all-time high.

Canadian B2B software platform **Versus Systems (CNSX:VS)** has raised \$11m through a public offering.



Recent investment news in the gaming industry
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