

## Weekly News Digest #48

15

# of announced deals

\$650.8m

announced deals' size

9

# of closed deals

Hi everyone,

Hope you had a great weekend and are full of energy to start December! We've updated the activity rating of strategic investors in 2020 — [click here](#). The top-5 most active are public gaming companies:

**#1 Tencent** incl. Miniclip, Riot, Supercell (20 closed deals, \$1.5B announced value, +\$1.4B Leyou deal in process) — mainly focused on acquiring *PC/Console* game developers and *diversified* corporate investments;

**#2 Embracer Group** (26 deals, \$1.3B value) — very active in *PC/Console* space while also expanding into the *mobile* platform. Read more about Embracer focus in [weekly digest #47](#);

**#3 Stillfront Group** (4 deals, \$0.8B value) — looking for experienced *profitable mobile* gaming studios with particular focus on *strategy / simulation, RPG & action / casual & mash-up* genres;

**#4 Take-Two Interactive** (3 deals, \$0.2B value, +\$1B Codemasters deal in process) — recently announced two large acquisitions in mobile (Playdots) and PC/Console (Codemasters) sectors;

**#5 Zynga** (2 deals, \$2.3B value) — focus on *mobile "forever franchise"* games (Peak Games) and diversification of product portfolio with a recent move into *hypercasual* (Rollic).

While public gaming companies can easily afford large transactions using stock as the currency — either paying directly in shares or issuing new shares to raise proceeds for future M&As; private gaming businesses such as AppLovin, Scopely, Epic Games enjoy the relatively modest deals' size using Private Equity funds to support them with cash.

Multiple Sweden-based gaming companies are continuously looking for deals to execute the roll-up strategy — Embracer Group (ST: EMBRAC B), Stillfront Group (ST: SF), Enad Global 7 (ST: EG7), and Thunderful Group ([plans to go public](#)).

*Note: our activity rating is based on the total deals' committed value and number of announced deals.*



### EG7 acquires Piranha Games for up to \$73m

Stockholm-based multiplatform games developer, publisher, and distributor [Enad Global 7 AB](#) (ST: EG7) has entered into an agreement to acquire 100% of Vancouver-based PC/Console game developer [Piranha Games](#) for up to \$73m of 55% cash and 45% newly issued EG7 shares, including:

- \$24.2m upfront consideration, of which \$8.1m paid in shares, and \$16.1m paid in cash. Whereas 50% of shares will be held back and will be paid over a period of twelve months, subject to achieving specific conditions;
- up to \$48.8m earn-out during the period of 2021—2025, with 50% paid in cash in EG7 shares.

For the 12-month period ending on 30 September 2020, Piranha Games' net sales were \$17.5m, while its EBITDA was \$6.6m. Based on these financials the deal multiples are:

- > without earn-out: 1.4x Net sales and 3.7x EBITDA;
- > including earn-out: 4.2x Net sales and 11.0x EBITDA.

Piranha Games is *PC/Console AAA/AA* game developer that is now focused on two main games from its *MechWarrior* franchise — *MechWarrior Online* and *MechWarrior 5: Mercenaries*. Both games are available only on PC with plans to launch on the Xbox platform. Piranha Games has also worked on various successful franchises like *Medal of Honor*, *Need for Speed*, *Duke Nukem*, and *Transformers*. The deal will strengthen EG7 development capacities, while Piranha Games will get access to new publishing and marketing assets.

On the same day, EG7 completed the Big Blue Bubble acquisition, announced in August 2020, for a total price of up to \$58m.



### AppsFlyer has raised funding from Salesforce Ventures

San Francisco-based mobile marketing analytics and attribution SaaS platform **AppsFlyer** has raised an undisclosed sum from **Salesforce Ventures** in a late stage extension of Series D round, and is now valued at \$2B.

- 25% valuation step-up compared to the financing round closed this year in January — AppsFlyer raised \$210m in a Series D, led by General Atlantic, at \$1.6B valuation;
- AppsFlyer will use the proceeds to expand its customer base and increase headcount in 2021.

Founded in 2011, the company has raised \$300m in funding to date. AppsFlyer is the mobile marketing analytics and attribution platform, that provides game developers with insights and measurements of user engagement, ROI, CPI, and other performance metrics. Currently, it employs over 1,000 people globally and has \$200m annual recurring revenue.



### Keywords Studios to acquire G-Net Media for up to \$32m

Dublin-based technical & creative gaming services provider **Keywords Studios** (LON: KWS) acquires LA-based gaming-focused creative marketing agency **G-Net Media** for up to \$32m, including:

- \$18m upfront consideration, of which \$14.4m paid in cash and \$3.6m in shares;
- up to \$14m of an earn-out consideration paid in cash and shares.

During the 12-month period ending on May 31, 2020, G-Net Media reported \$16.3m of unaudited revenue and \$2.2m adj. EBITDA. Thus, the valuation multiples are:

- > without earn-out: 1.1x Revenue and 8.2x EBITDA;
- > including earn-out: 2.0x Revenue and 14.5x EBITDA.

For the full year ending on Dec 31, 2021, the expected financials are ~\$20m Revenue, \$3m EBITDA.

G-Net is the fourth acquisition announced by Keywords since its last public offering of \$120m+ in May 2020. So far the company has used ~\$53m with a strong focus on acquiring marketing and game development expertise. Keywords has a great financial flexibility to continue to execute its buy-and-build strategy — 48 value-creating M&As since its IPO in 2013.

## Notable Transactions

Saudi Crown Prince Mohamed bin Salman, through **EGDC**, will acquire 33.3% stake in **SNK Corporation** for about \$216m. In the future, the company plans to acquire an additional 17.7%, becoming a controlling shareholder (51%) of the company.

Toronto-based Esports agency **GameSquare** has entered into an agreement to acquire Canada-based gaming and esports company **Reciprocity** for about \$22m upfront and earn-out consideration of 20m shares paid in a year after the deal, basing on the company's performance.

UPDATE: Toronto-based mobile games publisher **PopReach Corporation** has completed its previously announced common shares offering to Canadian investment firm **Beacon Securities Limited** raising \$13.3m (CAD \$17.3m). Among other things, the proceeds will be used for potential M&A deals.

IT esports, and media holding **TECHIIA**, has merged the assets of esports-related merchandise producers **WP Merchandise** and **FS Holding**, with plans to invest \$14m-30m in the companies.

American indie games publisher and developer **TinyBuild** has invested \$3m into **Hologryph**, a developer behind a successful multiplayer indie game *Hello Neighbor*.

New Zealand-based mobile games developer **2UP games** has received \$2.8m of investment from **Supercell** (subs. of Tencent), to develop its first mobile cooperation game.

Livestream advertising network **StreamHERO** has raised \$550k of pre-Seed funding to introduce its monetization and performance analytics tool for streamers.

Poland-based esports company **ESE Entertainment** has entered into an asset purchase agreement with the professional esports teams manager **K1CK Esports Club** owner Pedro Fernandes.

Sweden XR solution provider with mobile gaming apps **Bublar Group** has entered into an agreement to acquired avatar creation apps developer **Plotagon Production** for an undisclosed sum.



