

Weekly News Digest #49

16

# of announced deals

\$355m

announced deals' size

13

# of closed deals



EG7 acquires Daybreak Game Company for up to \$300m

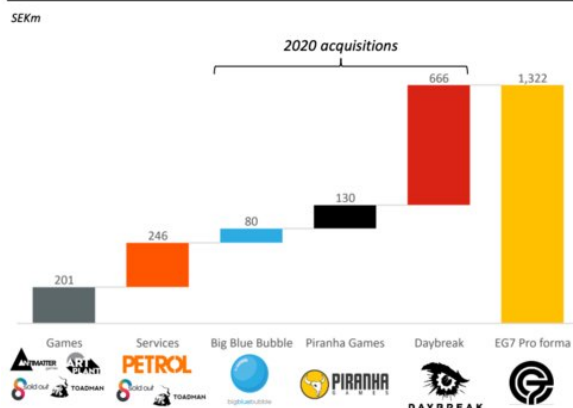
Stockholm-based multiplatform games developer, publisher, and distributor **Enad Global 7 AB** (ST: EG7) has entered into an agreement to acquire 100% of San Diego-based MMORPG developer and publisher **Daybreak Game Company** for up to \$300m on a cash- and debt-free basis, including:

- \$260m of an up-front consideration, of which \$160m paid in cash and \$100m paid in shares at closing;
- \$40m of deferred consideration paid in cash, upon the finalization of the company's financial statements for 2020FY;
- overall, EG7 will pay \$200m in cash (2/3 of the total payment) and \$100m in shares.

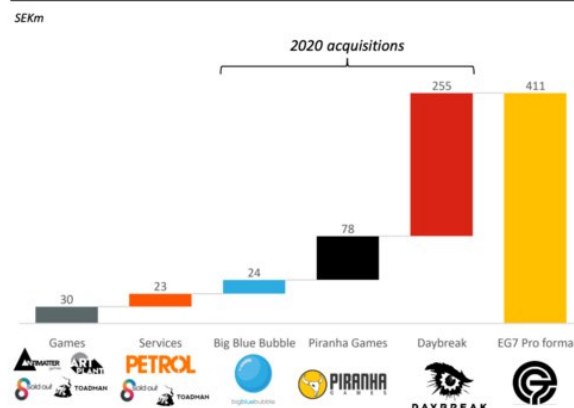
Daybreak Game Company is a *PC/Console AA/AAA MMO F2P* games developer and publisher that owns several original IPs, such as *H1Z1*, *EverQuest* series, and *PlanetSide 2*. The company also has a number of games, based on 3rd party IPs, including *DC Universe Online*, *The Lord of the Rings Online*, and *Dungeons & Dragons Online*.

Based on the LTM Q3'2020 financials of Daybreak Game (Net Revenue \$77.6m, adj. EBITDA \$29m), the transaction valuation multiples are 3.9x EV/NetRev and 10.3x EV/EBITDA. With the acquisition, EG7 will get a stable cash flow from F2P and GaaS business model with loyal communities of Daybreak Game's IPs, which will further improve EG7's size and profitability.

Pro forma YTD Revenue



Pro forma YTD EBITDA



EG7 almost tripled its financial pro forma with the latest acquisitions of **Big Blue Bubble**, **Piranha Games**, and **Daybreak Game**. Moreover, the Daybreak deal looks like a merger of two companies that are very much alike in terms of financials. In total, the combined group, on a pro forma basis, has total

revenue of ~\$156m and EBITDA of ~\$49m during Jan-Sep 2020. As a result of Piranha's and Daybreak's acquisitions, the business focus has dramatically shifted towards PC/Console AA/AAA games development.



This year, the company has spent +\$430m on three major acquisitions that are substantially bigger than all previous historical acquisitions of EG7. So far, the company's buy-and-build strategy shows positive market signs — EG7's market capitalization has increased by 9.6x times during 2020 FY.

To complete the last transaction EG7 has raised funding via debt financing and directed share issue, incl. \$47m revolving credit facility and \$59m term loan facility. The company also plans to raise \$188m via issuing new EG7 shares directed to Swedish and international institutional investors.

Microsoft acquires Smash.gg for an undisclosed sum

**Microsoft** (NASDAQ: MSFT) has entered into an agreement to acquire San Francisco-based esports tournaments and events organizer **Smash.gg** for an undisclosed sum.

With this partnership, Smash.gg will surely increase its audience and get direct access to Microsoft's resources, while Microsoft will further expand its services offering to the gamers community by adding Smash.gg solutions to Microsoft Content Services division.

Founded in 2015, Smash.gg is a free esports tournament and events organization platform that currently supports over 6,000 event organizers across a broad spectrum of different games. The company deals with both online and live events, giving its users a set of tools for event management, payments, and analytics. To date, the company has raised over \$14m with the most recent \$11m Series A round in 2017.

Lately, Microsoft has been showing increased activity in the video game space, establishing a new partnership with **Facebook Gaming**, acquiring **ZeniMax Media** for \$7.5B, and expanding into the esports vertical via Smash.gg acquisition. Probably, with that acquisition, Microsoft is taking another step to creating a full-scale gaming ecosystem.

## Notable Transactions

California-based **GreenPark Sports** has raised \$14m in a Series A funding round for further development of its sporting and esports metaverse.

Distribution service provider for Android F2P games **Flexion Mobile (Nasdaq: FLEXM)** has completed

two directed share issues, raising about \$13.5m to support the company's tech development and increase sales capacity.

Istanbul-based mobile game developer **Bigger Games** has raised \$6m in a Seed funding round to support the development of new games and further expand its team, especially in the marketing area.

Australia-based cross-platform game modding service provider **Mod.io** has closed its \$4m Seed round led by Makers Fund and Sequoia Capital India's Surge.

Fantasy esports platform **Esports One** has raised \$4m to grow its virtual currency *Bytes*, which will allow users to enter contests and buy customizations.

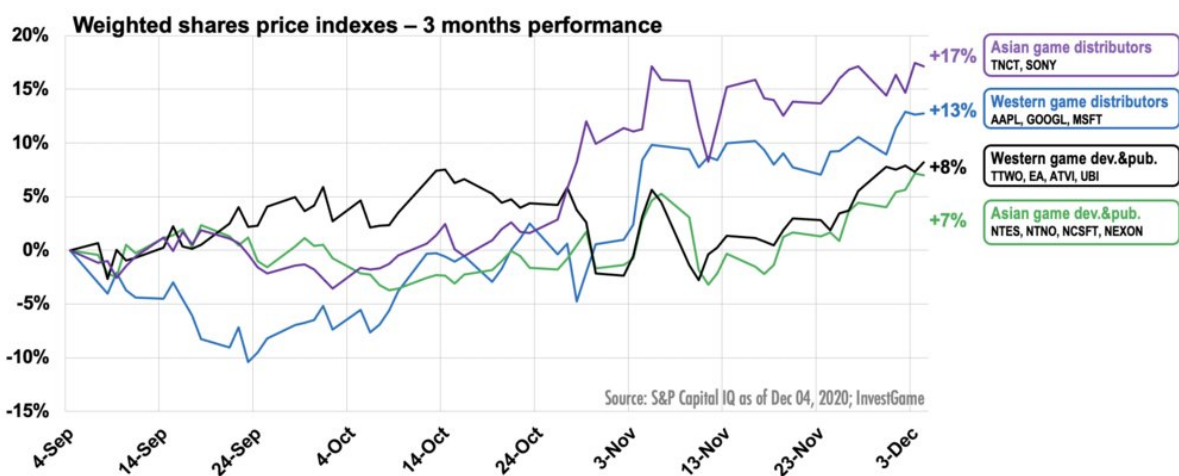
German game publisher and developer **Kalypso Media** has acquired the remaining 40% of shares in **Realmforge Studios**, fully acquiring the Munich-based simulation and strategy PC games developer.

South Korean game developer and publisher **Krafton** has announced a merger with its subsidiary **PUBG Corp**, known for its multiplayer hit PUBG. From now on, newly founded PUBG Studio will purely focus on game development, whereas Krafton takes publishing and support services.

San Francisco-based AR games developer **Krikey** has raised an undisclosed amount of funding in its latest Series A round, led by the biggest Indian telecom operator **Jio Platforms**.

**M.O.B.A. Network**, an Internet platform with 11 global esport communities, has acquired MMORPGs players community **MMORPG.com** for \$1.25m in cash.

London-based Esports organization **Gfinity** has acquired **Epicstream**, a media website focused on fantasy and sci-fi movies, television, video games, and comic books.



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