

Weekly News Digest #5

18

of announced deals

\$4.2B

announced deals' size

11

of closed deals

Hi everyone,

We have so much to tell you about the last week deals in the gaming industry, that we don't want to waste your time on the introductions. Let's dive into the recently announced transactions.

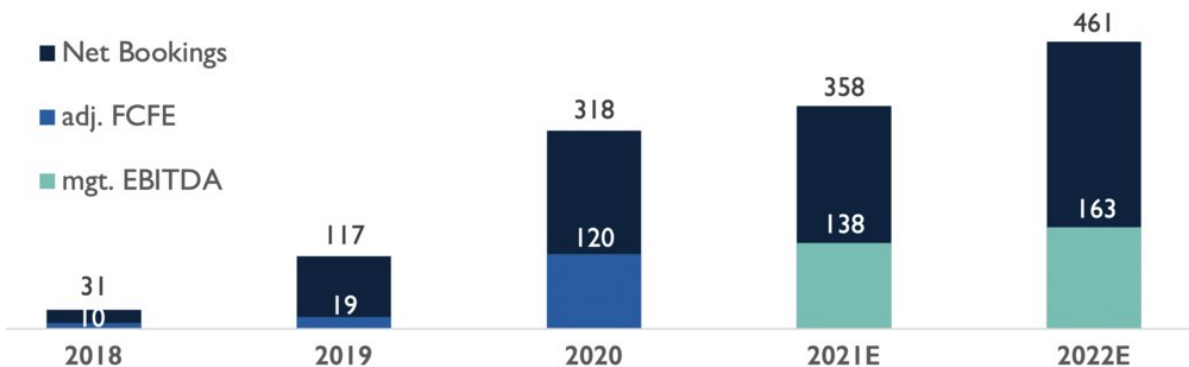


Nexters goes public via Kismet SPAC at \$1.9B valuation

Russian mobile and social game developer **Nexters** aims to go public through a merger with **Kismet Acquisition One Corp.** (Nasdaq: KSMTU), targeting a valuation of \$1.9B.

Transaction details

- > Nexters merges with Kismet at a pro forma enterprise value of \$1.9B
- > the transaction multiples are 13.8x EV/mgt EBITDA'21 and 11.6x EV/mgt EBITDA'22
- > uses of funds: \$150m cash injection in Nexters and \$150m cash proceeds to shareholders
- > sources of funds: \$250m by Kismet SPAC and \$50m by Kismet Capital Group
- > pro forma ownership: 42% founders/team, 40% Everix (Playrix), 18% SPAC shareholders/sponsors
- > expected closing period is Q2'21

Nexters Financials, in \$m**Company Overview**

Founded in 2010, Nexters is a Cyprus-based mobile and PC game developer. The company's product portfolio includes i) flagship mid-core action RPG *Hero Wars*; ii) casual adventure game *Island Experiment*, and; iii) MMORPG *Throne Rush*.

Almost all Nexters' revenue (~99%) is generated by one title, *Hero Wars*, released in 2016 and started scaling only in 2018 after the Bukhman brothers acquired 43% in Nexters.

The company plans to diversify its mid-core-focused portfolio by launching 3 new casual adventure mobile games in 2021: match-3 *Riddle Island* and two farming games *Chibi Island* and *Puzzle Island*. Also, Nexters plans to start the development of *Hero Wars 2* in the nearest future.

Business highlights (for 2020 FY)

- founder-led business with the experienced strategic player Playrix on the board
- 10x times Net Bookings increase during 2018—2020 period
- \$318m Net Bookings (~\$465m Gross Bookings) and \$120m adj. FCFE (~26% FCFE/Gross Bookings)
- 74% of net bookings generated by the mobile platform, 17% by social, and 9% by web
- diversified end-markets: 37% US&Canada, 23% Europe, 19% Asia of net bookings
- about 95% of revenue generated by in-game purchases
- 5.4m MAUs and 0.8m DAUs with ~\$100 average net bookings per paying user
- 435 employees, including 230 developers/data scientists and 65 marketing headcount

Major concerns

- single-hit gaming business with Hero Wars bringing 99% of net bookings
- relatively aged flagship title released in Oct'16 (iOS) / Feb'17 (Android)
- a risky transition in the product strategy — shifting away from mid-core to casual with Nexters' limited expertise in launching successful match-3/farming games (competing with Playrix's core expertise)
- limited Nexters' management practice in executing M&As in the gaming sector (but experienced shareholders — Kismet is led by Ivan Tavrin and Playrix)

Source: [presentation](#) and [press release](#)



PLAYSTUDIOS goes public via Acies SPAC at \$1.1B valuation

US-based social casino game developer **PLAYSTUDIOS** will go public through a merger with **Acies Acquisition Corp.** (Nasdaq: ACACU) at a \$1.1B valuation.

Transaction details

- > considering an enterprise value of \$1.1B, the transaction multiple is 12.3x EV/ adj. EBITDA'22
- > uses of funds: \$315m cash on the balance sheet and \$150m cash proceeds to shareholders
- > source of funds: \$215m by Asiec SPAC and \$250m by PIPE
- > PIPE investors include BlackRock, ClearBridge, Neuberger Berman, and MGM Resorts
- > PLAYSTUDIOS will be listed on NASDAQ under the symbol "MYPS"
- > post-completion shareholder structure: 64% PLAYSTUDIOS shareholders, 3% Acies sponsors, 18% PIPE participants, and 15% public shareholders.
- > expected closing period is Q2'21

Playstudios Financial Performance



Product portfolio

PLAYSTUDIOS operates diversified and aged mobile games with a strong focus on the social casino genre. The company's top-grossing games account for over 95% of revenue (*AppMagic*) and include: *myVEGAS Slots* (released in 2013), *my KONAMI Slots* (2015), and *POP! Slots* (2016). The company has recently expanded into the RPG genre by soft-launching *Kingdom Boss* in Nov'20.

Business highlights (for 2020 FY)

- founder-led business with 19% Revenue CAGR and 35% adj. EBITDA CAGR over 2017—2020E
- advanced loyalty program playAWARDS with \$500m cumulative retail value spent by players
- loyal audience with 4.2m MAU, average age of 42, and a 55% female audience
- average DAU of ~1.4m users in 2020 with \$0.54 APRDAU
- 6 studios with 385+ employees

Source: [press release](#) and [presentation](#)



Embracer Group acquires Gearbox Entertainment for up to ~\$1.4B

Sweden-based video game holding **Embracer Group** (SSE: EMBRAC B) has entered into an agreement to acquire a US-based PC&console AAA-games developer and publisher **The Gearbox Entertainment Company** for up to ~\$1.4B consideration including:

- \$363m upfront (~48% in newly issued shares with 12/24 months lock-up period)
- \$300m operational earn-out (50% in shares) subject to the completion of certain projects and key employees staying employed by Gearbox during the next 6 years
- up to \$390m financial earn-out 1 (~54% in shares), payable only if accumulated adj. EBITDA > \$335m over the next 4 years after the transaction (average \$84m adj. EBITDA per year)
- up to \$325m financial earn-out 2 (100% in cash), payable only if accumulated adj. EBITDA > \$702m over the next 6 years after the transaction (average \$117m adj. EBITDA per year).

Gearbox generated approximately \$123m in Net Sales and \$50m in adj. operational EBIT over Jan-Sep'20 period. Considering annualized financials (\$165m Net Sales, ~\$65m adj. EBIT) the valuation multiples account for upfront/adj.EBIT 5.6x, upfront+operat.earn-out/adj.EBIT 10.2x, and total.consideration/adj.EBIT 21.2x.

Founded in 1999, Gearbox performs development and work-for-hire activities under Gearbox Software as well as publishes games with Gearbox Publishing division. As a developer, it is primarily known for its flagship product — the FPS *Borderlands* series. Gearbox Software has also worked on such huge IPs as *Half-Life*, *Brother in Arms*, *Duke Nukem*, and *Halo*. As a for Gearbox Publishing, it stands behind such games as *Homeworld* series, *Risk of rain 2*, *We happy few*, and *Godfall*.

Adding Gearbox as the 7th independent operating group, Embracer gets an M&A platform for further inorganic growth in North America and instant access to \$1B+ critical success franchise *Borderlands* further expanding its premium product portfolio.

Source: [press release](#) and [presentation](#)



Embracer Group acquires Cyprus-based mobile games developer Easybrain for up to \$765m

Embracer Group has entered into a merger agreement with Cyprus-based mobile games developer

Easybrain for up to \$765m. The total consideration is paid 100% in newly issued shares and includes:

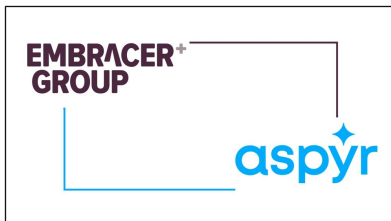
- \$640m upfront paid in four installments: \$130m available at closing, \$220m with six-months lock-up, \$145m after one-year lock-up, and \$145m after two-year lock-up (payable if sellers are employed)
- up to \$125m earn-out, payable in two installments:
 - > the first tranche paid if accumulated EBIT > \$189m over Mar'21—Mar'24, and
 - > the second tranche paid if the accumulated EBIT > \$219m over Apr'24—Mar'27

Based on Easybrain financials in 2020 (\$210m Revenue, \$70m EBIT), the valuation multiples are 9.1x upfront/EBIT and 10.9x total EV/EBIT.

Founded in 2016, Easybrain has a diverse portfolio of the various puzzle and logic mobile games, including *Pixel Art: Color by Number*, *Drum Pad Machine*, *Killer Sudoku*, and many other titles.

Embracer Group continues increasing exposure to the mobile space following the recently announced acquisitions of **Deca** (~\$100m), **A Thinking Ape** (~\$105m), and **IUGO Games**. We should probably expect more deals in the mobile space by Embracer.

Source: [press release](#) and [pitch deck](#)



Embracer Group acquires US-based publisher and developer Aspyr Media for up to \$450m

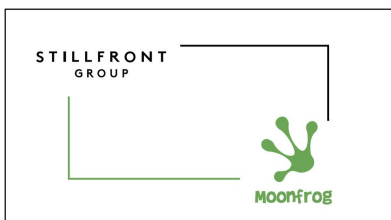
Embracer Group has entered into an agreement to acquire US-based publisher and developer **Aspyr Media** for a total consideration of \$450m, including:

- \$100m upfront, paid 60% in cash and 40% in newly issued shares
- \$25m operational earn-out, paid 50% in cash if the founders remain employed and a new commercial product is released every year over the next 5 years
- up to \$325m financial earn-out, payable 50% in cash and if the accumulated EBIT is at least higher than \$70m over the next 7 years (to receive maximum earn-out accumulated EBIT > \$961m)

Considering Aspyr's financial results for 2020 (\$40.6m Revenue, \$11.4m operational EBIT), the transaction multiples are 8.8x upfront EV/EBIT and 39.5x total EV/EBIT.

Founded in 1996, Aspyr Media is a video game publisher and developer, best known for its porting capabilities. The company has worked with 11 out of 15 biggest game publishers. Among many other games, Aspyr has ported *Civilization V* and *VI*, *Star Wars KOTOR*, *Borderlands 2*, and *Sim City 4*. Aspyr Media's porting and cross-platform IP expertise will be a great add-on to the existing family of 137 studios.

Source: [press release](#) and [presentation](#)



Stillfront Group acquires Moonfrog Labs for \$90m upfront

Stockholm-based mobile games developer and publisher **Stillfront Group (OM:SF)** has expanded into the Indian mobile games market with [the 100% acquisition](#) of **Moonfrog Labs**. The acquisition is paid fully in cash and includes two steps:

- > initial acquisition of 91% shares for \$90m
- > the remaining 9% to be acquired via a series of earn-out payments over the next 3 years.

The total earn-out consideration is estimated at \$45m and based on the following structure:

- i) 1x EBITDA'21 for 2021FY
- ii) 1x EBITDA'22 if EBITDA'22 < \$20m, and 1.25x if EBITDA'22 > \$20m for 2022FY
- iii) 0.5x EBITDA'21 for 2023FY

Based on Moonfrog financials (\$15m unaudited adj. EBITDA) in 2020, the transaction multiples are 6x upfront EV/adj. EBITDA and 9x total EV/adj. EBITDA with estimated earn-out payments.

Founded in 2013, Moonfrog is a social casino games developer, best known for its mobile board games *Ludo Club* (released in 2017) and *Jalebi* (2016), as well as social card game *Teen Patti Gold* (2014). Being the key revenue drivers of the company, these games saw a huge user in-flow during the lockdown, with a peak of 18.2m downloads in Apr'20. However, at the end of the year, the games got back to their pre-pandemic level of 2-3m downloads per month (*source: AppMagic*).

Source: [press release](#) and [presentation](#)

Notable Transactions

MERGERS & ACQUISITIONS

US-based advertising tech platform **AppLovin** acquires Berlin-based mobile advertising company **Adjust** for a rumored \$1B valuation. Adjust is a mobile marketing company, that helps developers to measure the performance of their apps and adjust their marketing strategy to get better results. To learn more about the rationale behind the deal, visit our friends at [MasterTheMeta](#).

Sony Corporation (TYO: 6758) has entered into a capital alliance with **Kadokawa Corporation**, acquiring a 1.9% stake in the company. Kadokawa is a parent company of famous PC&console developer **FromSoftware**, known for such PlayStation games as *Demon's Souls* and *Bloodborne* game.

US-based video games publisher **Phoenix Games** has announced the acquisition of Belgian mobile games publisher **Smilegamer**. The latter will get the expertise and resources, required to further scale its existing portfolio, consisting primarily of match-3 mobile titles.

UK-based multiplatform video game developer **Sumo Group (LON: SUMO)** has acquired Poland-based PC&console games developer **PixelAnt Games** for £250k (~\$340k).

French multiplatform video game distributor **Plug In Digital** has acquired publishing operations of US-based indie games publisher and marketing agency **Black Shell Media** for an undisclosed sum.

VENTURE FINANCING

Guangzhou Quwan Network Technology, known for its Chinese voice chat for gamers *TT Voice*, has raised \$100m in Series B financing round. Though the app is often compared to **Discord**, it is much more involved in the Chinese Esports and the gaming industry. On the contrary, Discord decided to shift from gaming communities to a wider audience, after raising \$100m of Series H funding last summer.

Israel-based mobile games studio **Candivore** has raised \$12m in a funding round led by **VGames**. The company will further develop its match-3 games, including the studio's first title Match Masters.

In-game advertising startup **Anzu** has raised \$9m in its latest funding round led by **BITKRAFT Ventures** and **Sony Innovation Fund**.

Indian esports startup **Mobile Premier League (MPL)** has raised \$95m in a Series D round co-led by **Composite Capital** and **Moore Strategic Ventures**.

American digital esports events platform **Nerd Street Gamers** has raised \$11.5m from **Founders Fund**.

Founded in 2020 by Oculus co-founder Nate Mitchell, **Mountaintop** has raised \$5.5m in Seed round to support the development of its first PVP FPS game.

US-based games developer **Latitude** has raised \$3.3m of Seed funding to develop its AI-powered story-driven game AI Dungeon.



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