

Weekly News Digest #50

20

of announced deals

\$2.6B

announced deals' size

16

of closed deals



Electronic Arts outbids Take-Two's acquisition offer for Codemasters (\$1.2B EA vs. \$1.0B TTWO).

American video game giant **Electronic Arts** (NASDAQ: EA) enters into an agreement to acquire UK-based racing games developer **Codemasters Group** (LON:CDM) for about \$1.2B in all cash-deal.

Back in Nov 2020, **Take-Two Interactive** (NASDAQ:TTWO) proposed about \$1B for Codemasters with approx. 25% to be paid in cash and the remaining in TTWO shares.

in £m	6-Nov	11-Dec	14-Dec
	TTWO	TTWO	EA
Total offer Share price, £	4.85	5.28	6.04
incl. cash	1.20	1.20	6.04
incl. shares (Dec 11, 2020)	3.65	4.08	-
#m of Shares	156.4	156.4	156.4
Equity Value, £m	758.5	825.8	944.6
Net Cash (Sep 30, 2020)	50.1	50.1	50.1
NCI (Sep 30, 2020)	(0.7)	(0.7)	(0.7)
Enterprise Value, £m	707.8	775.0	893.9
Revenue	116.8	116.8	116.8
adj. EBITDA	30.0	30.0	30.0
EV / Revenue	6.1x	6.6x	7.7x
EV / adj. EBITDA	23.6x	25.9x	29.8x

Based on the financials over the last twelve months (Sep 30, 2020), EA deal multiples are **7.7x EV/Revenue, 29.8x EV/adj. EBITDA**.

The EA's equity purchase price amounts to \$1,248m — a 14.4% premium to the implied value of the current Take-Two's Offer based on the recent closing price (Dec 11).

Source: target's financial reports; press release

Paying ~39% premium to the closing price of Codemasters on Nov 5, 2020 (the day before TTWO offer announcement), Electronic Arts substantially strengthens its position in the racing genre across PC/Console and takes one more step towards monopoly in the genre. The only competitors left are Gran Turismo (exclusive for PS published by Sony) and Forza series (exclusive for Xbox published by Microsoft).

Should the transaction happen, EA will add such titles, as *DiRT*, *GRID*, the *F1* series, and *Project CARS* to its already well-established portfolio of racing games: *Need For Speed*, *Real Racing*, and *Burnout*. Thus, EA not only made a big move against its competitor, but also hardened it for independent developers to enter the genre. The acquisition is expected to close during the first quarter of 2021.



MTG acquires Hutch Games for up to \$375m

Sweden-based game investment holding **Modern Times Group** (ST:MTGA) acquires 100% of UK-based mobile racing games developer and publisher **Hutch Games** for up to \$375m. The deal consideration includes:

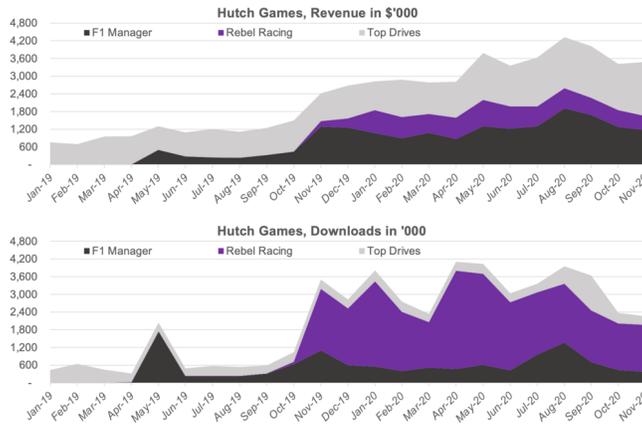
- \$275m up-front consideration paid primarily in cash, which will be financed through existing MTG cash and ~\$213m new bridge loan facility;
- up to \$100m earn-out consideration paid in cash, based on Hutch's financial results for 2021-2024FY.

Unlike its Swedish peers (Embracer, Stillfront, EG7), MTG pays for the deal almost entirely in cash except for \$9.7m to be paid in shares, which is subject to shareholders resolution.

Hutch Games - Financials			Hutch Games - Transaction multiples		
in \$m	Jan-Sep'20	Annualized'20	in (x)	Upfront \$275m	Total \$375m
Revenue	56.3	75.1	EV/Revenue	3.7x	5.0x
EBITDA	14.0	18.7	EV/EBITDA	14.7x	20.1x
EBIT	13.3	17.7	EV/EBIT	15.5x	21.1x

Source: Jan-Sep'20 financials are based on MTG presentation (preliminary and converted from UK GAAP to IFRS)

Based on the annualized financials for 2020, the transaction valuation multiples are 3.7x EV/Revenue and 14.7x EV/EBITDA (excl. earn-out). While Hutch Games is undoubtedly a great asset, we still observe pretty high valuation compared to the precedent transactions in the mobile game sector. MTG states that such multiples "should be seen in the context of continued strong growth going forward and implies an estimated EBITDA 2021 multiple in the low teens".



Founded in 2011, Hutch Games is one of the leading developers and publishers of F2P mobile racing games, best known for 3 out of top-10 global grossing racing titles: *Rebel Racing*, *F1 Manager*, and *Top Drives* with +300m downloads and 5.4m MAU. The company has 13 mobile games including *Puzzle Heist* (match3 with RPG mechanics) in soft-launch stage and one more in pre-production.

This transaction is another great example of successful VC exits in the video game industry with Hutch Games being backed by **Initial Capital** ([Seed](#)) in 2014 and **Index Venture** with **Backed VC** ([\\$5.5m Series A round](#)) in 2017.



Tencent (SEHK: 700) invests an undisclosed sum in China-based multiplatform games developer **Wizard Games**, also known as Wooduan Technology Co., Ltd. The proceeds are rumored to be in the range of \$30m—\$140m. P&G Alumni Network reported that the investment amount is over \$100m.

The financing will be used to expand the team, grow an international business, and launch new games in 2021. The company also plans to release a new PC-based construction and adventure sandbox game *Sea of Craft* in 2021.

Wizard Games operates more than 10 titles on the web, PC, and mobile platforms. The company's flagship title is FPS Battle Teams, which is incredibly popular in China. The game is said to have over 500m installs with MAUs exceeding 30m.

Notable Transactions

MTG [has acquired](#) an additional 17% of shares in Germany-based PC and mobile games developer **InnoGames** for ~\$128m (at ~10x LTM EBITDA), bringing its ownership in InnoGames to 68%. As part of the deal, MTG cancels its options for the remaining 32% of the company and establishes new gaming vertical, MTG Gaming (also known as GamingCo), which owns InnoGames, Kongregate, and Hutch Games.

Sweden-based mobile games developer and publisher **Stillfront Group** (OM:SF) [has raised](#) ~\$443m via an unsecured revolving credit facility, which will replace ~\$190m loan provided in January, 2020.

CA-based video game platform **Roblox** [has postponed](#) its IPO to the 2021 calendar year. Last month, the company [filed](#) its S-1 registration documents for the initial public offering on NYSE with plans to go public before the end of the year.

Mobile and web games developer and publisher **37Games** [has acquired](#) the remaining 20% stake in its subsidiary, a mobile game distribution and operation company, **Zhejiang Wooduan Technology** for a total consideration of ~\$436m.

Russia-based game developer, publisher, and distributor **MY.GAMES** [has invested](#) in three mobile gaming companies: Appyfurios Studio, Purple Games Studio, and AppLife Studio. It's already 8 publicly announced deals closed by MY.GAMES this year.

Turkey-based hyper-casual games publisher **Rollic** (a wholly owned subsidiary of Zynga) [has acquired](#) matching puzzle game *Onnect* from Turkish mobile games developer **Chef Game Studio** for \$6m with \$1m conditional payment in the future.

Newly founded **Core Loop** [has raised](#) its \$2.4m Seed funding to develop cross-platform MMO games. The backers include Galaxy Digital, Initial Capital, 1Up Ventures, Sisu Game Ventures, Dune Ventures.

UK-based **Aglet** [has raised](#) \$4.5m to accelerate its AR game, which allows players to buy virtual sneakers for in-game currency earned by traveling and walking.

US-based **Salad Technologies** [has raised](#) \$3.2m on the further development of their platform, enabling gamers to earn rewards in exchange for their GPU's power.

American esports coaching platform **Metafy** [has raised](#) \$3m in a Seed funding round led by Forerunner Ventures.

British startup **Quell** [has raised](#) \$3m of Seed funding to support the development of the technology that could combine home fitness with gaming.

Indian mobile social games developer **Bombay Play** [has raised](#) \$1m funding round led by **Lumikai**, which is the first games-focused VC fund in India.

Recent investment news in the gaming industry
Deals database, league tables, etc.

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