

## Weekly News Digest #6

18

# of announced deals

\$3B

announced deals' size

13

# of closed deals

Hi everyone,

Last week we've had an awesome collaboration with our friends from Master the Meta and wrote a few words about the Glu Mobile acquisition by EA. You can read the full article via the [link](#). Though it partially explains the strategic rationale behind the deal, we still have some more numbers and details to present in our today's digest.

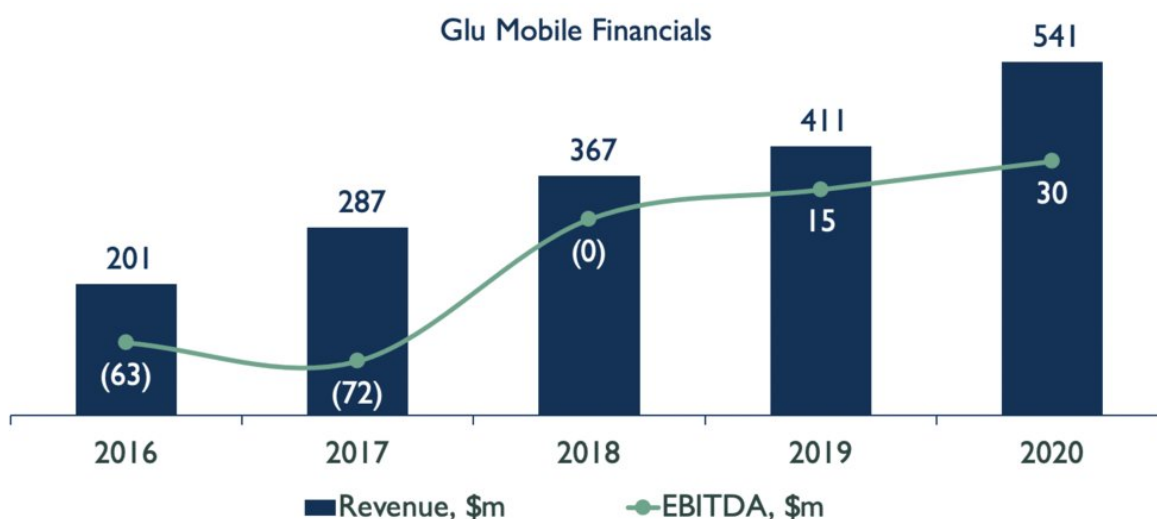
Let's dive into the recently announced transactions in the gaming industry.



U.S.-based video game giant **Electronic Arts (NASDAQ: EA)** enters into an agreement to acquire U.S.-based mobile game developer **Glu Mobile (NASDAQ: GLUU)** for \$2.1B in enterprise value. The equity purchase price is paid in cash and accounts for \$2.4B (\$12.5 per share), including a ~\$364m net cash on the balance.

#### Transaction details

- > The price includes a 36% premium to Glu's closing share price on the previous day (Feb 5, 2021);
- > The transaction is fully financed by EA's cash on hand;
- > Based on Glu's annual 2020 results, the transaction multiples are 3.9x EV/Revenue, 71.2x EV/EBITDA, and 27.5x EV/adj. EBITDA;
- > The acquisition should be closed by the end of Q2'21.



Glu Mobile, in \$m	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Revenue	366.6	411.4	540.5	607.8	679.3
Revenue yoy growth, %	27.8%	12.2%	31.4%	12.5%	11.8%
EBITDA - GAAP	(0.1)	15.0	20.5	22.0	120.1

<b>EBITDA - GAAP</b>	<b>(0.1)</b>	<b>15.0</b>	<b>27.5</b>	<b>70.7</b>	<b>120.1</b>
<i>EBITDA margin, %</i>	<i>0.0%</i>	<i>3.6%</i>	<i>5.5%</i>	<i>16.3%</i>	<i>17.7%</i>
<b>adj. EBITDA - nonGAAP</b>	<b>41.6</b>	<b>41.6</b>	<b>76.3</b>	<b>139.8</b>	<b>169.8</b>
<i>adj. EBITDA margin (Bookings), %</i>	<i>10.8%</i>	<i>9.8%</i>	<i>13.6%</i>	<i>23.0%</i>	<i>25.0%</i>
<b><u>EV/Revenue</u></b>			<b>3.9x</b>	<b>3.5x</b>	<b>3.1x</b>
<b><u>EV/EBITDA</u></b>			<b>71.2x</b>	<b>21.2x</b>	<b>17.5x</b>
<b><u>EV/adj. EBITDA</u></b>			<b>27.5x</b>	<b>15.0x</b>	<b>12.4x</b>

Note: Revenue & EBITDA -GAAP are taken from S&P Capital IQ consensus mean as of Feb-15, 2021

### Strategic Rationale

> *Further expansion into the rapidly growing mobile space — increasing EA's mobile bookings by 70%*

Based on 2020 results, Glu's bookings accounted for \$660m whereas EA reported \$780m. Moreover, EA's mobile sports games' revenue four-year CAGR of 24% is almost 2x times higher than sport PC/console games (13%). Considering that revenue from PC&console premium ("Full game") publishing is tied closely to the new product releases, the expansion into the mobile F2P space can also help EA to stabilize their financials.

> *Diversification of mobile product portfolio across sports and lifestyle mobile games*

Glu Mobile's portfolio also seems to perfectly fit EA's mobile titles. Such games as Design Home, Covet Fashion, and Kim Kardashian: Hollywood will complement The Sims mobile. Whereas Tap Sports Baseball, Deer Hunter, and Tap Sports Fishing will be a great add-on to EA's vast portfolio of sports titles, including FIFA, Madden NFL, NHL, NBA, and UFC.

> *Adding a highly experienced team of over 500 mobile-focused developers*

We can expect that Glu's experienced team will help EA not only to improve their current mobile franchises, especially when it comes to user acquisition and scaling, but also to adopt some of the established PC&console franchises to the mobile sector.

### Major Concerns

> The proposed valuation seems too high when comparing with the Buyer's forward multiples:

EA's expected 15.8x EV/EBITDA'21 vs. Glu's 17.5x EV/EBITDA'21. The accretive analysis also raises some doubts, considering the relatively low profitability of Glu. There is a chance that the investment won't result in meaningful value creation. Just like **PopCap Games** was acquired for \$1.3B during the highest hype around its game in 2011, Glu is now acquired after a surge in popularity, influenced by increased interest in gaming throughout the lockdown.

> A few months ago, Electronic Arts announced the acquisition of UK-based racing games developer **Codemasters Group (LON: CDM)** for a total consideration of \$1.2B. This means, in 2021, EA will have to integrate two large businesses into its ecosystem. So there's a high possibility that it will take some time before the synergy effect will finally take place.



LEAF Mobile acquired East Side Games for up to \$125m (CAD \$159m)

Canadian mobile game developer **LEAF Mobile** (TSXV:LEAF) has acquired Vancouver-based mobile game developer and publisher **East Side Games** for up to \$125m, including:

- \$93.6m initial payment, paid 16% in cash and 84% in Leaf shares
- \$31.4m earn-out, based on the company's performance: \$100m annual gross revenue by the end of 2022 and \$150m — in 2023 respectively

The acquisition will result in a reverse takeover, meaning that East Side Games will become a publicly-listed company. The company will delist from TSX Venture Exchange and start trading on the Toronto stock exchange under the same "LEAF" ticker. Both Leaf and East Side specialize in mobile games that share

some common countercultural cannabis-related themes.

Founded in 2011, East Side Games is a mobile idle games developer behind such games as *Archer: Danger Phone*, *Trailer Park Boys: Greasy Money*, *The Goldbergs: Back to the 80s*, and others. Together, all the games of the company have been downloaded over 8.8 million times.



tinyBuild has acquired three gaming studios: Five Games, Hungry Couch, and Moon Moose.

American indie game publisher and developer **tinyBuild** has acquired three gaming studios: We're Five Games, Hungry Couch, and Moon Moose for an undisclosed sum.

Established in 2016, **We're Five Games** is a Minneapolis-based indie game developer behind a physics-based multiplayer delivery game *Totally Reliable Delivery Service*. The game is published by tinyBuild and has already hit 14m downloads across all major platforms and mobile. Joining tinyBuild, We're Five gets access to new resources and expertise that will help the studio to upgrade the current version of the game and start working on its next installment.

Founded in 2019, **Hungry Couch** is a Moscow-based indie game developer, now working on its first open-world RPG *Black Skylands*. The game already has its demo version on Steam and is planned to be released by tinyBuild in Q2'21.

Founded in 2019 and based in Saint Petersburg, **Moon Moose** is an indie developer behind a business simulation game inspired by the '80s narco trade Cartel Tycoon. The demo version of the game is available on Steam and is expected to be released early this year by tinyBuilds.

These deals bring the number of tinyBuild's internal studios to six. The other three are **Dynamic Pixels dev team** (*Hello Neighbor*), **HakJak Studios** (*Guts & Glory*), and **Hologryph** (co-developers of *Party Hard 2* and *Secret Neighbor*).

## Notable Transactions

### MERGERS & ACQUISITIONS

Chinese gaming giant **Tencent** has agreed to acquire a minority stake in Czech multiplatform games developer **Bohemia Interactive**. The company is best known for its tactical shooter franchise *ARMA* and multiplayer survival game *DayZ*.

Video game service provider **Pole to Win** has acquired Los Angeles-based art Studio **5518 Studios** for an undisclosed sum. The studio provides a wide range of services from concept arts, illustrations, and posters creation, to character modeling & animation.

Australian payment processor **SQID Technologies** has acquired 50% stake in Australia-based esports company **ICON Esports** for \$1.7m.

Gaming and iGaming company **Gaming Corps** has sold 212 shares in American third-party game development company **Kung Fu Factory** for around \$1.35m. Originally, Gaming Corps acquired 901 shares in the company during 2017 and 2018.

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### VENTURE FINANCING

Paris-based mobile hypercasual game developer **Homa Games** has raised \$15m of Seed funding from Idinvest Partners, E.venture, and several angel investors. The studio has already released three titles, including *Tower Color*, *Sky Roller*, and *Nerf: Epic Pranks*, which was made in collaboration with **Hasbro**.

French social web for gamers **Powder** has raised \$14m of Series A funding. Powder allows the gaming community to share their gameplay videos with each other.

India-based esports and mobile gaming company **Nazara Technologies** has raised \$13.7m from the Indian VC firm **Hornbill Capital Advisers**.

Russia-based game developer, publisher, and distributor **MY.GAMES** has invested \$1.5m into **Pizza Club Games**, a US-based developer behind FPS mobile character collector game *Raid Boss*.

A company behind training tool for FPS practicing **3D Aim Trainer** has raised \$1.2m in its latest funding round.

## PUBLIC OFFERINGS

Santa Monica-based esports platform **Super League Gaming (NASDAQ:SLGG)** has raised ~\$12m by selling approximately 2.9m of common shares at a price of \$4.1 per share.

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