

# Mobile Gaming M&A Playbook: **How to Identify and Target High-Growth Gaming Companies**

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Sensor Tower's Game Intelligence, powered by our Store Intelligence product, gives unparalleled insight into must-know gaming industry trends.



## What is M&A and who is doing it?

Following a year of massive growth for mobile gaming, Jam City's recent acquisition of Ludia adds yet another high-impact partnership to the mix, capitalizing on the strong M&A trend the gaming industry has been closely following. According to Sensor Tower's Mobile Market Forecast, gaming is poised to reach \$138 billion in player revenue in 2025 (up significantly from 2020's \$80 billion in gross revenue). During this period of unprecedented growth in the mobile gaming market, investors, large publishers and indie developers alike are seeing an opportunity to claim a larger piece of the mobile gaming revenue pie. With increased competition in gaming, top gaming companies seek to mitigate competitive threats, diversify their offerings, and build strong partnerships. The result is a flurry of mergers and acquisitions in the mobile gaming space.

Last year, legacy mobile gaming publisher Zynga spent nearly \$2 billion on its acquisitions of Peak Games and Rollic in 2020. In the first quarter of 2021, acquisitions reached a high with roughly \$39 billion in value from over 280 announced and closed deals. One of the most closely watched deals was longtime powerhouse publisher Electronic Arts' \$2.1 billion acquisition of Glu Mobile (publisher of the popular games Design Home, Tap Sports Baseball, and Kim Kardashian Hollywood) and \$1.4 million acquisition of Playdemic (known for Golf Clash). Gaming holding companies such as Embracer Group and Stillfront have also raised notable amounts of funding specifically for future acquisitions.

Coming off of its 11 studio acquisitions (including mobile developer IUGO Games) in November of 2020, Embracer Group has already raised \$2 billion in 2021 for upcoming acquisitions. In August 2021, Embracer continued its momentum by acquiring Crazylabs, a top 3 hypercasual games developer, along with a slew of other studios. This recent activity has shown that M&A is becoming not only a viable but extremely attractive way for capital-rich game companies to expand their portfolio.

Needless to say, M&A in the mobile gaming space is a hot topic that isn't disappearing anytime soon. For those considering acquisitions or simply curious on how to keep pulse on the latest genres, this M&A guide can help. It'll walk through advantages of M&A, how to keep tabs on the gaming industry, and important considerations for evaluating targets. Since these transactions are millions and even billions of dollars, it's up to acquirers to deep dive into where the gaming industry is going. After all, failure to understand the market leads to poorly timed and unsuccessful acquisitions.

## What are the major goals of M&A?

### Diversify Portfolios

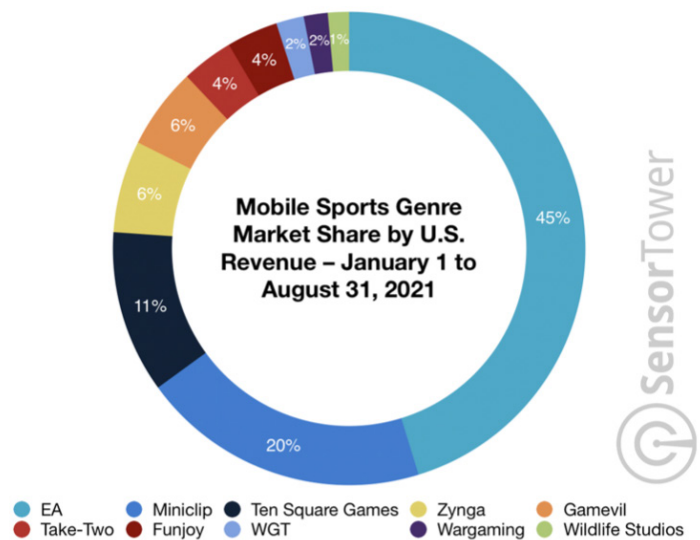
To keep up with increasing competition, large publishers have sought out growth opportunities beyond their original domain of expertise. Zynga, for example, expanded far beyond its original casino space with its 2020 acquisition of hyper-casual studio, Rollic, adding to its existing portfolio of puzzle, merge, and other genres. In August 2021, Zynga announced that it would acquire Golf Rival and developer StarLark for \$525 million, hot on the trails of Electronic Arts' acquisition of Golf Clash (by Playdemic).

Another recent example is Plarium, which has established expertise in mid-core RPG and raked in over \$700 million in revenue with RAID: Shadow Legends. However, as the mid-core audience grew more concentrated, Plarium sought opportunities to enter the casual space by acquiring Futureplay, the developer of Merge Gardens. According to Sensor Tower's estimates, the Merge sub-genre has increased by 25% in YoY revenue, pointing to the robust growth for merge games, as well as the puzzle genre overall. These types of partnerships, as seen with Zynga/Rollic and Plarium/Futureplay, are beneficial because they allow companies to round out their portfolios and smoothly capture a new type of audience.



### Identify Synergies

For a larger publisher, M&A can also be a great way to buy out competition, while also acquiring talent, improving blindspots, and achieving greater scale. Electronic Arts, well-known for its sports games (including Madden NFL, NHL, FIFA) and now Playdemic, pairs well with Glu's mobile sports games, specifically its MLB Tap Sports Baseball series, which has generated over \$300 million in all-time gross revenue. By leveraging existing expertise on building hit games around sports IP, the companies can team up to build a more formidable presence in this space. Additionally, the combined strength has led to EA being ranked as "the No. 1 publisher by U.S. spending in Sports, generating approximately \$176 million during the last eight months" and capturing 45% of the sports genre revenue.



Synergistic partnerships can also apply in other ways. By aligning with a larger publisher through an acquisition, the smaller developer could gain UA resources, creative strategies, and access to a wider audience, creating a mutually beneficial partnership. Jam City, for example, is one of the leading mobile game developers with over \$3 billion in all-time gross revenue, known for Harry Potter: Hogwarts Mystery, Cookie Jam, Panda Pop, and a variety of Disney IP puzzle titles. It has kept a careful eye on Ludia, the Montreal-based developer behind multiple Jurassic World titles and Disney Wonderful Worlds, among many other IP-driven games. By acquiring Ludia in September 2021 and bringing on its team of IP experts, Jam City further bolstered its reputation as a partner of choice for top entertainment brands, while giving Ludia the opportunity to tap into Jam City's corporate expertise, global resources, and a much broader audience of players for their games.

## Leverage Analytics for M&A

### Uncover Growth Opportunities Within Gaming

While Top Charts on the Apple Store or Google Play Store may be a good place to start, it's crucial to monitor breakthrough games and take note of which sub-categories are dominating the Games category. For those with mobile intelligence tools like Sensor Tower, diving into specific game genres paints a picture of where the market is trending and what M&A teams should be paying attention to. Whether the team is seeking growth opportunities or doing market sizing, game genre analysis answers questions such as, "What are the top sub-genres contributing to growth in Southeast Asia?" "Within strategy games, what percentage of revenue is driven by 4X? Which 4X titles launched in the past year have grown the fastest?"

**Sensor Tower Tip:** Measure growth across various types of games, using Sensor Tower's proprietary genre taxonomy, which represents 99.9% of US mobile game revenue over the last year. Sensor Tower's taxonomy provides in-depth classification of genres, sub-genres, art style, camera style, game theme, and more, powering strategic business decisions for major developers.

### Establish Criteria

Successful M&A starts with an analysis of the current business state -- Where are the product gaps? What does the business need to remain competitive? Furthermore, this is the stage at which important considerations such as acquisition budget, target company size, and other criteria are established (for example, a budget of \$50 million and targeting a mid-sized, US-based company). Among other criteria, the M&A team could then use this information to begin building out target lists.

**Sensor Tower Tip:** Hone in on games that meet the company's criteria for downloads, revenue, ARPDAU, publisher country, and more, with the help of Sensor Tower's global field filters.

### Reduce Blindspots and Keep Track of Competitive Movement

Most people in the gaming industry are well aware of new launches from major game publishers, which typically dominate download and revenue growth. But what about a first-time or relatively unknown publisher whose breakthrough game is quickly climbing the charts? Sensor Tower equips M&A teams with updated information on fast-growing games. Need to stay on top of games that spike in revenue? Need to monitor new soft launches and global launches from target publishers? Need to filter for mid-sized publishers? Sensor Tower has M&A teams covered with email alerts for the App Store and Google Play store. These custom alerts are vital for busy gaming companies who want to efficiently track acquisition targets and save time for their teams. By staying on top of these important changes, M&A teams can improve their understanding of a game or publisher portfolio's health and ensure that they don't miss out on valuable opportunities.

**Sensor Tower Tip:** Drill down into the metadata of games to see the most successful mobile game titles that monetize using a Battle Pass subscription or a specific mechanic.

### Build Target Lists & Track Leads

With all of the prospects M&A teams have to sift through, it is easy to lose track of which publishers have already been reached out to, how well they meet specific criteria, and what games are in their portfolio. At this stage in the process, one of the most important practices is building out an efficient workflow for tracking qualified and unqualified leads. Now, there are many different ways to do this depending on each team's internal tools and resources. Sensor Tower offers Custom Fields that make it simple to build acquisition target lists tailored to each team's criteria, while weeding out unqualified leads. The target lists can then be exported into a CSV or shared with relevant team members. No matter which method is chosen, by identifying and labeling games that fail to meet criteria as "Unqualified," M&A teams can exclude non-relevant games and publishers, resulting in a fresh list of relevant leads each time they search.

**Sensor Tower Tip:** Consolidate the lead gen workflow by tracking leads directly on Sensor Tower and taking advantage of Custom Fields.

## Evaluating and Researching Prospects

Timing is everything in M&A, so after building out your target lists, it's time to analyze a target's strategic performance. For example, a company may be lower cost to acquire if it has seen declined revenue and stagnant growth in recent quarters. Sensor Tower can also provide insight into strategic changes within a publisher portfolio, such as a stalled soft launch or a shift in genre focus. If your company is looking to enter a certain country's market, it can be helpful to scan your target list for publishers with heavy presence in that specific country.

**Sensor Tower Tip:** Analyze the target portfolio in Publisher Breakdown to determine overall performance, portfolio shifts, and top markets by downloads.



## Other Ways to Stay Alerted on Gaming Industry Trends

Every day, there seems to be a new acquisition in the mobile gaming space and often, these latest deals are a good indicator of where the market is trending. For anyone exploring acquisition opportunities, uncover these clues by subscribing to resources that are publicly available.

### News Sources

**Pocket Gamer**, the world's leading destination for the mobile gaming community, deep dives into specific mobile gaming trends, interviews from mobile gaming leaders, and tracks soft launches

**VentureBeat**, a leader in covering transformative tech, has a semi-separate publication called [GamesBeat](#) which covers video games and the gaming industry

**TechCrunch**, a well known online newspaper focused on technology, startups, venture capital funding, and all things Silicon Valley. They have a [Mergers and Acquisitions tag](#), as well as a variety of topics that the audience can subscribe to

**Bloomberg**, New York-based news source that covers business and markets news, frequently covers major market trends in the mobile gaming industry, along with performance info on publicly traded gaming companies

**CNBC**, the world leader in business and financial market coverage, also touches on publicly traded gaming companies

**Other Newsletters** - Crunchbase, Seekingalpha, Pitchbook, Middlemarket

### LinkedIn Research

Although primarily known as a social network, LinkedIn can be a fantastic resource for how companies are thinking about the practice of M&A. Start by following companies who are active in the M&A space (Stillfront Group, Zynga, etc.) and influencers (Venture Capital, Private Equity, and Lawyers) who are knowledgeable about where the market is heading and what successful acquisitions look like. Cast the net wider by following hashtags such as #merger and #acquisition within the mobile space to discover recent acquisitions and public discourse surrounding them.

### Conclusion

Which company will be acquired next? What are key genres to keep an eye on? Sensor Tower's Game Intelligence, powered by our Store Intelligence product, gives unparalleled insight into must-know gaming industry trends. **To learn more about how to use Sensor Tower's custom features to identify acquisition opportunities, request a demo with our Sales Team.**