

Electronic Arts acquires Playfish for \$275 million

November 9 2009, By BARBARA ORTUTAY , AP Technology Writer

(AP) -- As its packaged video games business lags, Electronic Arts Inc. has snapped up Playfish Inc., the creator of popular social networking games such as "Who Has the Biggest Brain" and "Pet Society," for \$275 million in cash.

With the acquisition, EA is diving further into the lucrative world of social online games, which tens of millions of people play on [Facebook](#), MySpace, the iPhone and other platforms.

The purchase will help EA move into gaming in online communities at a time when declining consumer confidence is cutting into traditional packaged [video game](#) sales. Just last week, the company launched a version of "Spore," a game that lets players create an evolving universe, on Facebook.

In addition to the upfront cash payment, EA said Monday it will pay an additional cash sum up to \$100 million contingent on Playfish hitting certain financial targets through December 2011, plus \$25 million in equity-based retention agreements with employees.

Games are a popular pastime on Facebook, with the top 10 games attracting more than 100 million active users, according to Facebook Platform Manager Gareth Davis. This is about a third of the site's total active users. In all, 22 of the top 25 applications people use on Facebook are games, said Barry Cottle, senior vice president and general manager of EA Interactive.

Playfish, a two-year-old startup based in London, will run as a standalone business within EA Interactive, which is also home to online gaming platform Pogo.com and EA Mobile, which publishes such games as "Rock Band" and "Tetris" for the iPhone.

Kristian Segerstrale, Playfish's co-founder and CEO, called [social gaming](#) "a massive addressable market." The games run on the assumption that people want to play the addictive, easy-to-learn games with their friends - and that they are willing to pay small amounts of money for digital add-ons in those games.

Playfish makes money by selling virtual items for its free games, which currently have 60 million monthly players. Its most popular game, "Pet Society," has 21 million monthly players. It lets people design and care for a virtual pet. Like with a flesh-and-blood version, owners have the option of buying an endless amount of stuff for their creatures.

"Games are moving from physical products to digital services," Segerstrale said, echoing past statements from EA CEO John Riccitiello, who is intent on guiding EA into the age of digitally distributed video games.

"People play games and people pay for games," Cottle said. "But instead of paying upfront, they pay along the way."

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