

Candy Crush maker King in \$500 mln Wall Street debut

March 26 2014, by Glenn Chapman



A person plays on his tablet Candy Crush Saga game, developed by King Digital Entertainment, in Lille, northern France, on March 6, 2014

King Digital Entertainment raised a sweet half-billion dollars on Wall Street, and now it is time for the market to show its taste for the makers of mobile game Candy Crush.

The British [game](#) developer priced its [initial public offering](#) at \$22.50 per share on the eve of the start of public trading Wednesday on the New York Stock Exchange.

King will trade under the ticker "KING" with an opening market valuation of \$7.1 billion.

The money raised in the issue could reach \$574 million depending on demand for an additional 3.33 million that could be issued underwriters, the company said.

King's arrival on the stock market comes as investors are keen to buy into the next Internet rising industry star but wary of young companies being overvalued, especially in the world of games where popularity can be fleeting.

Established in 2002, King's business has soared in the last two years thanks to the spectacular popularity of Candy Crush Saga, which boasts some 97 million players worldwide.

The Tetris-like format requires players to line up sweets and bon bons through 500 increasingly difficult levels.

Addictive Candy

But the addictive qualities of Candy Crush, and the company's ability to monetize that by users on computers, tablets and cellphones paying extra to help them advance through levels, underpin the sky-high valuation.

The company says its games, which also include Farm Heroes and Pet Rescue, are installed on 600 million mobile devices, and played over 1.4 billion times a day—more than one billion alone for Candy Crush.

Profits in the fourth quarter reached \$159 million.

However, analysts have cautioned that King's long-term earnings viability remains questionable owing to its business heavily reliant on a single product.



A person plays Candy Crush Saga on his tablet on March 6, 2014, in Lille, northern France

Research firm PrivCo notes that King itself estimates the average lifespan of a paying player on a particular game at two to nine months.

Given that much of the growth in Candy Crush subscribers ended in the first quarter of 2013, "many of the paying players on Candy Crush will soon reach the end of their estimated playing period," PrivCo said.

"As a result, King's other games will need to grow at much faster rates if King is to maintain its current growth rates."

Analysts have noted that Zynga, creator of the once-mighty "FarmVille" game lost 40 percent of its value after entering the market in December 2011 with a valuation of \$7 billion.

Zynga pioneered online social gaming at a time when Facebook was center stage and got caught on its heels when players enthralled by free play on smartphones or tablets flitted away from the San Francisco-based company's titles.

Zynga took arrows

"Zynga was a pioneer in its space," said longtime game industry analyst Scott Steinberg, now general manager of Phoenix Online Studios.

"The trouble is, sometimes pioneers catch the arrows."

Zynga was an early innovator, and is not out of the game.

While no one can predict how long a game will be a hit, Candy Crush has shown staying power. And King has the benefit of learning from Zynga's woes.



Zynga headquarters, pictured in San Francisco, California, on July 25, 2013

Candy Crush started life as a Facebook game in 2012 but can also be played online and on smartphones.

In a move that encourages players to spread the game, Candy Crush lets people call on friends or family at Facebook to download the title and help them advance.

In a promising note, Candy Crush has characteristics in common with classic title Tetris, which remains a star at nearly 30 years old.

A constant peril for makers of mobile games, which are often free, is that players can be fickle in their loyalties.

"It is one thing to have a game that is a cultural phenomenon," Steinberg

said.

"It is another to have one with a user base that stay loyal year in and year out."

Silicon Valley analyst Rob Enderle is leary of mobile or social game companies overall, reasoning that players are fickle and business models yet to be perfected.

"Zynga showed that you are as good as your last game," Enderle said.

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