

# Candy Crush maker sees IPO valuation up to \$7.6 bn (Update)

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A man plays at Candy Crush Saga on his iPhone in Rome on January 25, 2014. Candy Crush is one of the top online games developed by King.com

The maker of the addictive mobile game Candy Crush hopes to raise as much as \$532.8 million in a New York IPO that would value the company at up to \$7.6 billion.

King Digital Entertainment, the British developer behind the hit game,

filed new documents on its much-awaited initial public offering that showed plans to sell 22.2 million shares at between \$21 and \$24 a share.

That would give the company a market capitalization of between \$6.6 billion and \$7.6 billion.

That is a substantial payoff for a simple game that is rooted in the decades-old Tetris—sweets and bon bons tumble from the top which the player needs to match in groups to advance.

But the addictive qualities of the Candy Crush Saga, and the company's ability to monetize that by users on computers, tablets and cellphones paying extra to help them advance through its 500 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.

That has driven a sharp climb in revenues, from \$22 million in the first quarter of 2012 to \$602 million in the fourth quarter of last year, the company said in its filing with the US Securities and Exchange Commission.

Profits in the fourth quarter reached \$159 million.



A woman carries a newly-purchased Sony PlayStation 4 video game console at the Sony building in the Ginza district of Tokyo on February 22, 2014

"Our focus is to provide a highly engaging, differentiated entertainment experience where the combination of challenge and progress drives a sense of achievement," King Digital said.

"We believe we have a repeatable and scalable game development process that is unparalleled in our industry."

"A key principle for King is that no individual game session should take more than a few minutes," chief executive Riccardo Zacconi said in the IPO statement.

"We call it bitesize brilliance—the perfect way to spend three minutes of

free time."

The IPO, announced last month, could test the US market's stomach for high valuations of technology stocks after its strong five-year bull run.

Stocks have paused in recent weeks with investors seeking more signs of economic and corporate strength to push them higher; the S&P 500 is up less than 1.0 percent so far this year.

The huge listings of Facebook and Twitter in the past two years have proven successful despite early worries of overpricing.



Women look at their smartphones while having dinner at a street food restaurant in Bangkok on March 19, 2013

But Zynga, the company behind the hit online game FarmVille, was valued at \$7 billion when it entered the market in December 2011, and

has since lost 40 percent of that value.

Silicon Valley analyst Rob Enderle told AFP he viewed the King IPO price as "very ambitious and risky" and warned it might not hold up after the shares begin trading.

"This is a game company and game companies are only as good as their popular games," he said.

"Folks tend to tire and switch with most game classes, and the casual game class has a ton of competition."

That said, he added, "the market is funding well beyond what I think are reasonable amounts so they actually could get the money."

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