

Activision gets mobile with \$5.9B bid for King Entertainment

November 3 2015, by Tom Murphy



In this March 24, 2014, file photo, a detail from the online game "Candy Crush Saga" is shown on a computer screen in New York. Activision Blizzard announced Tuesday, Nov. 3, 2015, it is spending nearly \$6 billion to buy Candy Crush maker King Digital Entertainment, combining a console gaming power with an established player in the fast-growing mobile gaming field. (AP Photo/Mark Lennihan, File)

Activision Blizzard will pay \$5.9 billion to buy Candy Crush maker King

Digital Entertainment, combining a console gaming power with an established player in the fast-growing mobile gaming field.

Activision, which owns the extraordinarily successful "Call of Duty" series, said the deal will create one of the largest global entertainment networks with more than half a billion combined monthly active users in 196 countries.

It also will help Activision get its games out of the living room and into the hands of potential players through smartphones and tablets, a market with seemingly unlimited growth potential.

Activision said mobile gaming is expected to generate more than \$36 billion in revenue by the end of 2015 and grow cumulatively by more than 50 percent from 2015 to 2019.

The deal also will help Activision diversify its customer base. CEO Robert Kotick told CNBC on Tuesday that about 60 percent of King's audience is female.

"Attracting women to gaming is a really important part of our strategy," he said.

Still, questions remain about what the advantage will be for the two companies, and perhaps more importantly, to gamers.

King has struggled to follow up on the success of its Candy Crush series, a game so pervasive that a British lawmaker was admonished after being caught playing it during a Parliamentary committee hearing.

King's revenue fell 18 percent to \$490 million in the second quarter, and gross bookings also dropped 13 percent, both of which the company attributed to the maturing of its Candy Crush franchise.

Jefferies analysts Brian Pitz and Brian Fitzgerald said that replicating the success of Candy Crush is a daunting task.

"We expect a heavy dose of skepticism from investors especially given the large deal size," the analysts wrote in a research note.

Activision Blizzard Inc., based in Santa Monica, California, will pay \$18 in cash for each King share, a 20 percent premium over its Friday closing price. Kotick said the deal gives his company "a very productive way" to use foreign cash that had not been earning a lot of money.

U.S. tax rates prompt companies to avoid transferring money earned overseas back home to the parent.

The boards of both companies have approved the deal, but King shareholders must still vote on it and regulators in Ireland must also sign off. The companies expect it to close next spring.

Shares of King Digital Entertainment Plc., which went public in March 2014, jumped 15 percent, or \$2.34, to \$17.88 Tuesday in pre-market trading and after the deal was announced. Meanwhile, Activision slipped 12 cents to \$34.35.

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