

EA Buys PopCap Games For As Much As \$1.3B

Posted Jul 12, 2011

As we initially reported a few weeks ago, EA has acquired PopCap Games. The acquisition price is \$650 million plus \$100 million stock and a multi-year earn-out. The total acquisition price is as much as \$1.3 billion.

PopCap Games is the company behind such hits as Plants vs Zombies, Zuma and Bejeweled. PopCap games have been installed 150 million times worldwide. Last year, approximately 80% of PopCap's revenue was on digital platforms.

EA CEO John Riccitiello said in a release: "PopCap's great studio talent and powerful IP add to EA's momentum and accelerate our drive towards a \$1 billion digital business. EA's global studio and publishing network will help PopCap rapidly expand their business to more digital devices, more countries, and more channels."

In terms of the earnout structure, PopCap sellers are entitled to additional cash bonus upon the achievement of certain non-GAAP earnings before interest and tax through December 2013. If the two-year cumulative earnings are \$91 million or less, PopCap sellers won't receive anything. If the earnings are \$110 million, sellers will receive a total of \$100 million. With \$200 million in earnings, sellers get \$275 million. And if earnings come in at \$343 million or more, sellers get a whopping \$550 million in earnout, making the total acquisition price \$1.3 billion. EA says that it will also provide up to \$50 million in long-term equity retention awards to PopCap employees to be granted over the next four years.

A \$1 billion plus acquisition price is huge for any company, let alone EA. But clearly EA wants PopCap badly. The acquisition will help the gaming giant break into mobile and social gaming — areas where the company hasn't done nearly as well as it has in the console arena.

Electronic Arts has many successful franchises that cater to casual users (including The Sims), but many of its popular properties appeal to the hardcore crowd. PopCap could be a way to compete with social, casual gaming companies like Zynga, Rovio and others.