

\$55bn Acquisition of



by the Consortium of



*Private
Equity
Society*





**Any thoughts on the
transaction and
whether \$55bn price
tag is justified?**

Deal Overview

The Equity Consortium



PIF
صندوق
الاستثمارات العامة



SILVER LAKE

Buy-Side Advisors*

J.P.Morgan
J.P. Morgan Securities

**\$55bn Cash Deal,
Largest Ever LBO**

EA's stockholders are to receive
\$210 per share, representing a
25% premium.

The Consortium aims to
**accelerate EA's strategic
vision** to advance the future of
entertainment via innovation.

At an **Enterprise Value of \$55bn**,
the deal represents largest
sponsor take-private in history.

Target



Electronic Arts

Sell-Side Advisors*



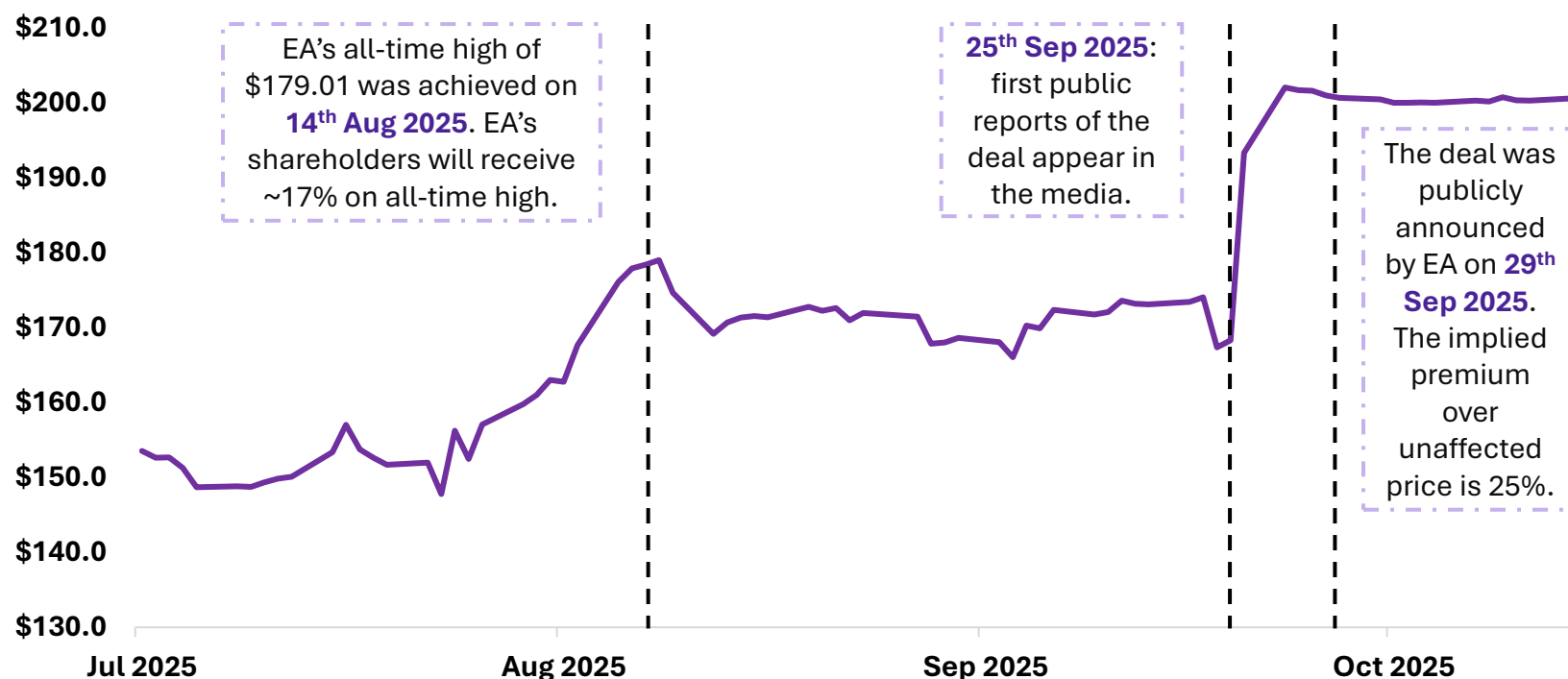
**Goldman
Sachs**

Termination Fee: \$1bn if either side
reneges on the take-private agreement.

The Deal is **expected to close Q1
FY2027**, subject to customary
regulatory and shareholder approval.

Timeline

Electronic Arts Share Price





**What is the reason for
the PE firms to pay a
25% premium and
negotiate a termination
fee?**

History: Pioneering Games as Art

The Trailblazing Patron of 'Software Artists'



Electronic Arts (EA) was founded by **Trip Hawkins** in **1982**, with the encouragement of the legendary VC investor **Don Valentine** of **Sequoia Capital**. Initially called 'Amazin' Software', the company began used free space in Sequoia's offices. Over the next **40+ years**, EA became a household name behind titles such as **Battlefield**, **Plants vs. Zombies**, **The Sims**, **EA Sports (Formerly FIFA)**, **Madden NFL**.



1982-86: Founding & Vision

- **1982:** Trip Hawkins founds EA .
- **1983:** First games released, including Archon, Pinball.
- **1986:** Expands to PCs, pivots to in-house development.



1987-95: Sports Franchise

- **1988:** Launches Madden NFL.
- **1991:** 'EA Sports' franchise is introduced, setting the brand.
- **1994:** Release of FIFA International Soccer franchise.



'96-2004: the Expansion Era

- **1997:** Acquires Maxis, creator of SimCity.
- **2000:** Release of The Sims.
- **2002:** Launch of Battlefield 1942 and Need for Speed.



2005-11: Online & Console

- **2005:** Release of Battlefield 2.
- **2006:** Acquires DICE, BioWare, expanding internal networks.
- **2008:** Launches acclaimed Dead Space and Mirror's Edge.



2012-20: Live Digital Services

- **2013:** Expands Origin platform, shifting distribution online.
- **2015:** Live-services come to dominate EA's revenues.
- **2019:** Launch of Apex Legends.



Present: Platform Ecosystem

- **2021:** Acquires Codemasters to boost mobile presence.
- **2023:** Rebrands FIFA as EA Sports to retain control.
- **2025:** Take-private announced.

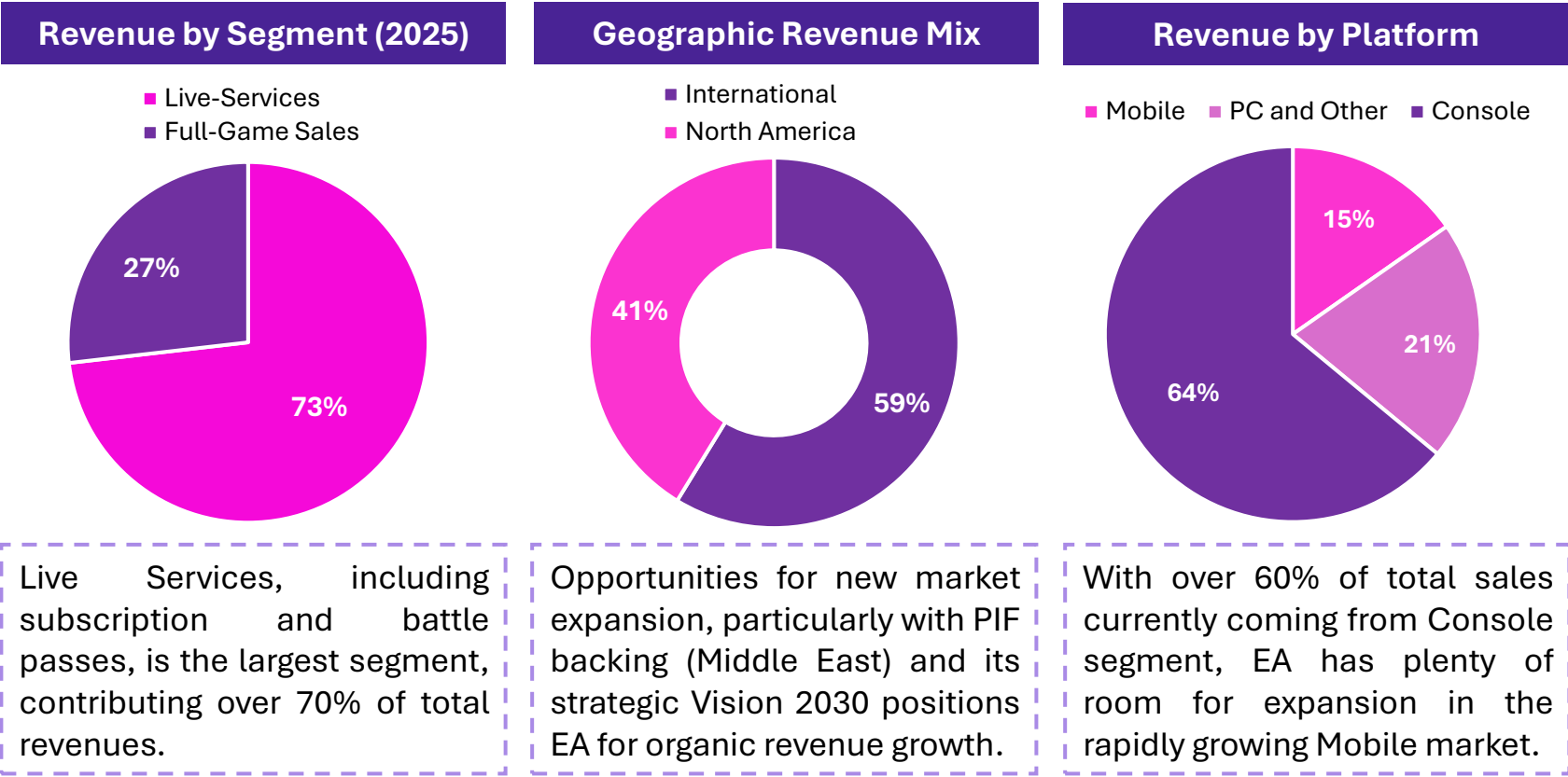


Does EA's rich content library make an attractive LBO target? Why?

Electronic Arts (EA) Overview

Electronic Arts (EA) is a global leader in digital interactive entertainment. The company develops, markets, publishes, and delivers games, content and services that can be experienced on game consoles, PCs, and mobile devices. EA is recognised for one of the **richest content libraries**, with legendary titles including **Battlefield** and **EA SPORTS**.

EA’s Content Library is ‘One of the Richest’, filled with blockbuster franchises



Sources: S&P Global, EA Public Relations, PC Gamer, LSEG



Subscription-like Live-services make up 70% of Revenue? Why does this matter?

Art of the Deal



The Dealmakers Who Orchestrated the World's Largest LBO

EA's \$55 billion take-private is **the culmination of a partnership** between the **American Silver Lake and Affinity** and **Saudi Arabia's sovereign wealth fund (PIF)**, **orchestrated by Jared Kushner**. Widely proclaimed as the deal's chief architect, Kushner brought PIF (already an existing EA shareholder) and Silver Lake together. **Within a month, a \$20bn loan from JPMorgan Chase was arranged**, positioning EA to become a private company in Q1 FY2027 in a bet on **AI-driven growth**. EA's management vision is aligned with the financial sponsors, with EA's accomplished **CEO Andrew Wilson set to continue his leadership** of the company. His retention emphasizes **commitment to growth**, as **Wilson nearly doubled revenue during his 10+ years of tenure**.



Saudi Arabia's **PIF**, will be majority owner, **rolling over its 9.9% stake**. The deal aligns with **Vision 2030** diversification programme which seeks to promote the diversification into non-oil industries.



Jared Kushner acted as **the deal's architect**, leveraging international network to **connect PIF and Silver Lake**. **Affinity Partners** will be a minority owner, with **a stake of 5%** after the deal closes.

SILVER LAKE



With over **\$100bn in AUM**, **Silver Lake** is one of the largest **tech-focused PE firms**. **Egon Durban**, the co-CEO, had eyed EA as a target since 2011, due to its rich library and scalable digital model.

Strategic Fit and Vision

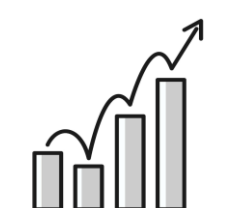
**AI-Driven
Cost
Cutting**



**Global
Expansion**



**Long-Term
Capital**

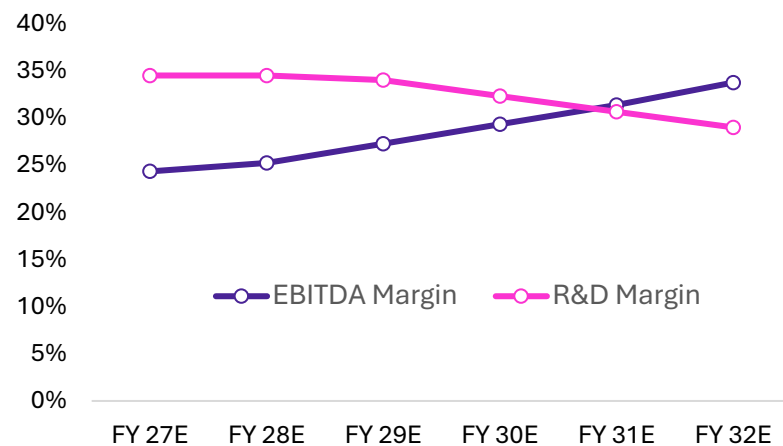


Deal Rationale

Cost & Footprint Optimisation, Strategic Divestitures

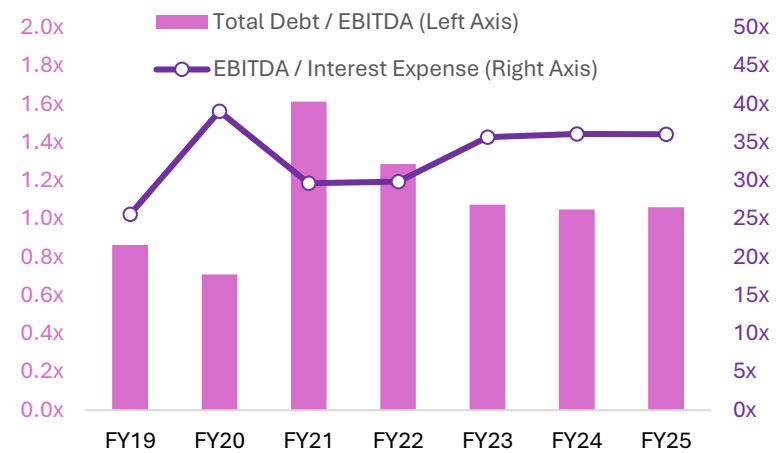
Operational: A Gigantic Bet on Generative AI

Integration of **Generative AI** into game development is likely to **reduce EA's \$2.5bn+ annual R&D bill**. This is projected to positively affect EA's margins, with **EBITDA Margin expansion** of ~8% during the forecast period. Margin improvement will also **support EA's deleveraging**.



Financial: Historically Low Net Debt

EA's historical **leverage levels** are well below the comparables. For instance, **Take-Two's Debt/EBITDA stood at 7.6x in FY2025 vs EA's 1.5x**. This supports EA's **ability to service LBO-related debt** and contributes to **lower cost of debt**, include Term Loans.



Platform Expansion

PIF-backed expansion in the Middle East will drive an **increase in international revenues**, currently just under 60% of total revenues. Due to market (platform and regional) expansion, **live services revenue growth does not dip below 2% in FY2027 to FY2032**. The revenue growth rate fluctuates around **title releases**: Battlefield in 2026 and Sims in 2029.

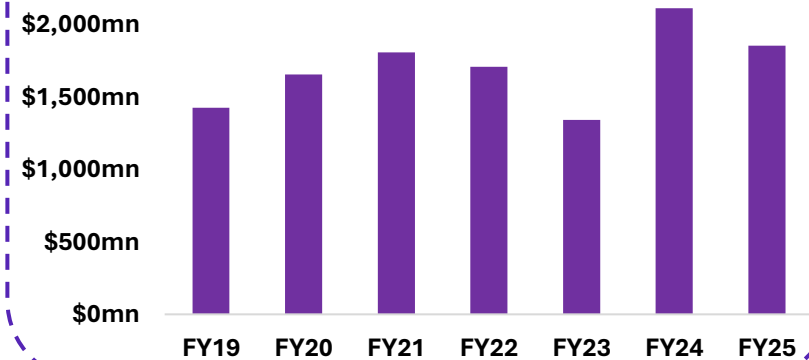
Live-Services Growth Rate



Strong Organic Free Cash Flows

EA has been **historically generating healthy free cash flows**, averaging **over \$1.5bn a year** since FY2019. EA's cash flows are **supported by recurring high-margin revenues** from live-services sales such as subscriptions.

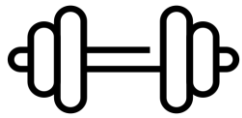
EA Free Cash Flows





EA spend \$2.5bn on R&D every year. If AI helps to reduce this, how is the deal affected?

SWOT Analysis



Strengths

Leading Game Franchise Portfolio

EA boasts one of the richest game content libraries. Blockbuster titles include EA Sports, Battlefield, The Sims, Madden NFL, Apex Legends.

Recurring Live-Service Revenue

Live services, such as subscriptions and season passes, account for over 70% of the revenue. This delivers steady and predictable cash flows.

Scaled Global Platform

With a global player base of ~ 600 million across console, PC and mobile, EA benefits from cross-platform monetisation.

Weaknesses



Dependence on Key Titles

A limited number of titles, including EA Sports and Apex Legends, generates majority of revenue. This exposes EA to franchise performance risk.

High Development and Marketing Costs

EA spent nearly \$2.5bn in FY2025 on R&D, representing 25% of Sales. Since R&D is crucial to pipeline development, EA's margins suffer.

Limited Diversification

With 95%+ of revenues from entertainment, EA is exposed to the industry's cyclicity.

SWOT



Opportunities

Expansion of Live Services

Deeper in-game monetisation and subscriptions are likely to support the growth trend that demonstrated a 9% CAGR since FY2020.

Mobile Platform Growth

Mobile currently represents ~15% of Revenue, vs ~30% global industry average. This gap is likely to be narrowed through acquisitions' integration.

Strategic Partnerships & Licensing

Renewal of licenses (NFL), new partnerships (e.g. Formula 1) and expansion into women's sports likely to boost the top line.

Threats



Intensifying Competition

Competitors, including Activision, Epic and Take-Two, invest over \$10bn annually. Thus, user acquisition costs are rising.

Regulatory & Reputational Pressures

'Loot-box' regulation could negatively affect live-service revenues. Moreover, class-action lawsuits around micro-transactions present a risk.

Distribution Platform Dependence

Around 70% of EA's revenue is generated through 3rd party platforms (e.g. Apple), exposing the company to sudden policy changes.

LBO – Transaction Details

Key Transaction Details

Equity Offer Value

Equity Offer Value	52,362
Net Debt	652
Implied EV Offer	55,000
Shares Outstanding (mn)	249.3
\$USD/Share Offer	\$210.0
Implied Entry EV/EBITDA	28.4x

Financing Breakdown

65.5%
Equity
Invested

35.5%
Total Debt

28.4x
TEV /
EBITDA

Sources

	Amount	Multiple
Revolving Credit Facility	0	-
Senior Debt	2,000	1.0x
Term Loan	17,000	8.8x
Equity Consortium Contribution	30,816	15.9x
PIF Equity Rollover	5,184	2.7x
Total Sources	55,000	28.4x

Uses

Equity Offer Value	52,362
Debt Refinancing	1,484
Fees	1,154
Total Uses	55,000

Debt Financing Assumptions

Debt Type	Cash	Mandatory Principal Repayment						
	Sweep	Year 0 (2027)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revolving Credit Line	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Senior Debt	75.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Term Loan	0.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
TLB	0.00%	N/A	N/A	7.50%	7.50%	7.50%	7.50%	7.50%

Description

- **The Revolver** provides **flexible short-term liquidity** option for EA. The facility has a **\$1bn limit** and a **0.25% standby fee**.
- Term Loan is the **primary leverage component, contributing \$17bn**. Priced at **300bps over SOFR**, it is aggressively paid down, with **principal amortisation of 12%** per year.
- **Dividend Recapitalisation** involves taking on additional debt to pay a special dividend to the Equity Consortium.

Interest Rates on Debt

- The interest rate on each tranche of secured debt is represented as a spread over the Secured Overnight Financing Rate (**SOFR**).
- The **spread varies based off the seniority** of debt, with the safest Revolver backed by assets, at **200bps**.

Equity Contribution

- PIF is rolling over its **9.9% pre-existing stake** in EA, contributing over \$5bn this way.
- The **Equity Consortium** is **contributing \$36bn**, a **~65.5% equity contribution**.
- Aided by **strong cash flows**, EA undertakes a **dividend recapitalisation worth \$5 billion** in **FY2029**.

Sources: S&P Global, LSEG, EA 10-K, EA Proxy Filings

*All figures in \$USD mn, except on a per share basis.

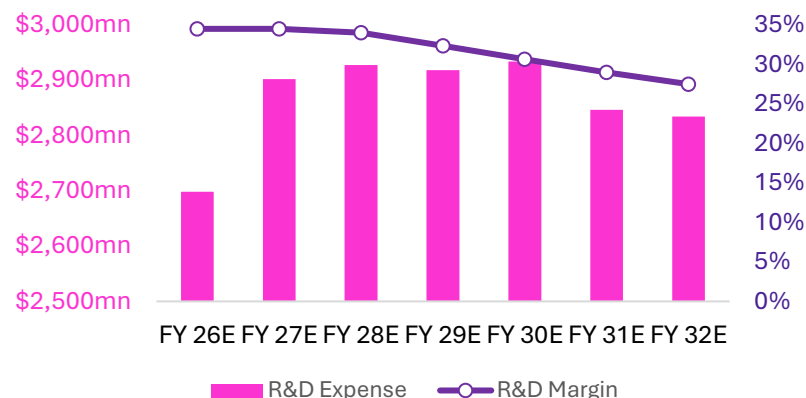


**Why is EA's low
existing net debt
important?**

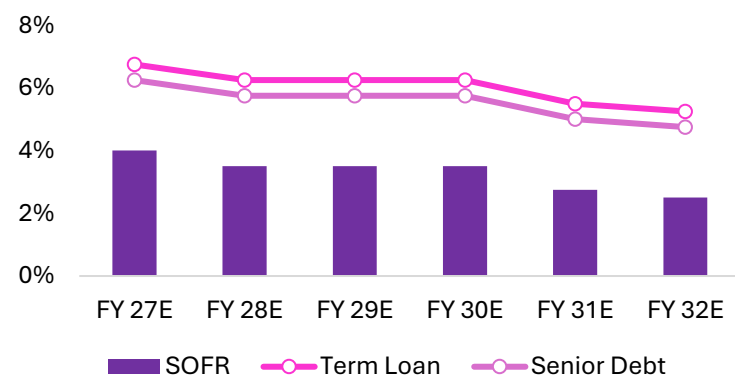
LBO – Assumptions and Outputs

Key LBO Assumptions

R&D Margin Improvement



Financing Terms



AI-driven cost optimisation due to significant **reduction in R&D costs**, with **R&D Costs** (as % of Revenue) **declining from 34% to 27.5%.**

EA's **revenue growth is driven by major title releases.** Key releases in this model is **Battlefield in FY27** and **Sims Project Rene in FY29.**

The **expectations of interest rate decreases** are reflected in **SOFR declining from 4.5% in FY26 to 2.5% in FY32**, reducing cost of debt.

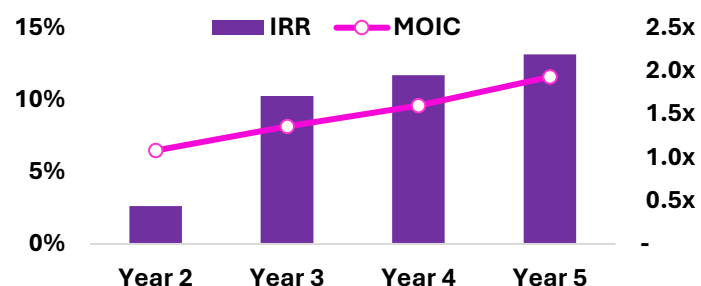
Key LBO Outputs

Sensitivity Analysis

IRR and MOIC (Exit Multiple)

24.50x	16%	2.1x
24.00x	15%	2.1x
23.50x	15%	2.0x
23.00x	14%	2.0x
22.50x	14%	1.9x

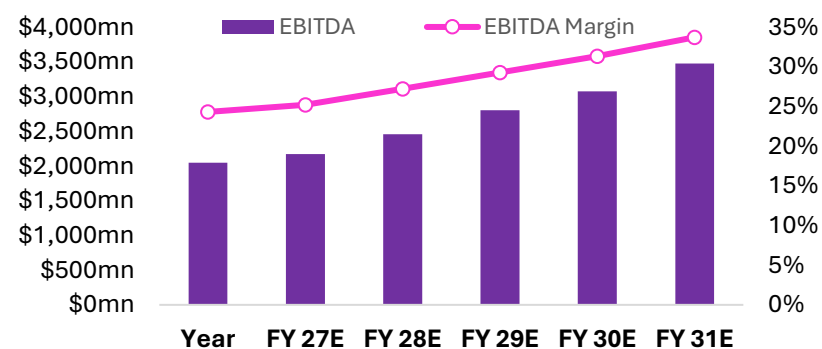
Equity Returns by Investment Horizon



Sustained Debt Paydown (\$bn)



AI-Driven EBITDA Growth (\$mn)



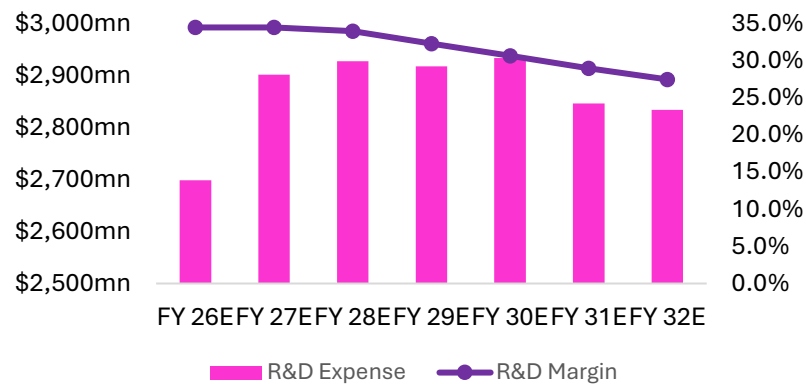
Sources: S&P Global, LSEG, S&P Global, EA 10-K, EA Public Relations



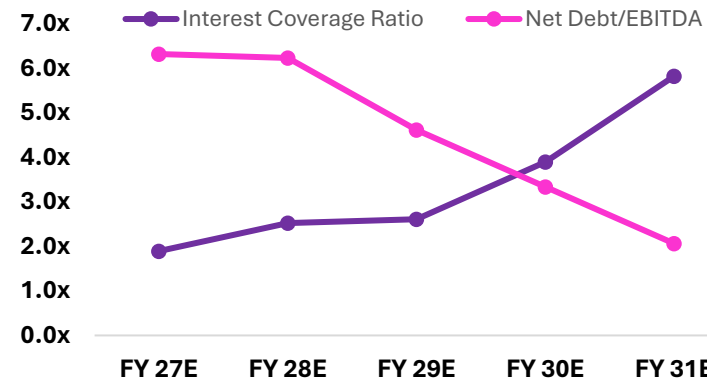
**Why are LBO returns
so sensitive to exit
multiple
assumptions?**

LBO – Model

R&D Cost Optimisation (\$mn)



Credit Metrics



Income Statement

All figures in \$USD mn, except on a per share basis

	FY 2022A	FY 2023A	FY 2024A	FY 2025A	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Total Revenue	6,991	7,426	7,562	7,463	7,822	8,412	8,611	9,025	9,567	9,816	10,307
Cost of Goods Sold	(1,848)	(1,780)	(1,693)	(1,543)	(1,721)	(1,851)	(1,873)	(1,940)	(2,033)	(2,061)	(2,087)
Gross Profit	5,143	5,646	5,869	5,920	6,101	6,561	6,738	7,084	7,534	7,755	8,220
Selling General & Admin	(1,634)	(1,705)	(1,710)	(1,700)	(1,799)	(1,935)	(1,963)	(2,040)	(2,143)	(2,179)	(2,267)
Research & Development	(2,186)	(2,328)	(2,420)	(2,569)	(2,698)	(2,902)	(2,928)	(2,918)	(2,934)	(2,847)	(2,834)
Amortisation of Intangibles	(149)	(130)	(89)	(67)	(86)	(91)	(92)	(95)	(99)	(100)	(103)
Operating Income (EBIT)	1,174	1,483	1,650	1,584	1,517	1,633	1,755	2,032	2,358	2,629	3,015
EBIT Margin					19.40%	19.42%	20.38%	22.52%	24.65%	26.78%	29.25%
Net Interest Income / (Expense)	(48)	(6)	71	85	29	(996)	(926)	(804)	(995)	(752)	(589)
EBT (Adjusted)	1,126	1,477	1,721	1,669	1,546	637	830	1,229	1,363	1,878	2,426
Total Tax	(292)	(524)	(316)	(484)	(464)	(191)	(249)	(369)	(409)	(563)	(728)
Net Income (Adjusted)	834	953	1,405	1,185	1,082	446	581	860	954	1,314	1,698
EBITDA	1,612	1,910	1,982	1,938	1,908	2,047	2,171	2,461	2,805	3,079	3,479
EBITDA Margin	23.1%	25.7%	26.2%	26.0%	24.4%	24.3%	25.2%	27.3%	29.3%	31.4%	33.7%

Revenue growth is driven by the expansion of live service and mobile engagement, boosting recurring revenues.

Integration of generative AI into game development process drives R&D cost cutting and boosts operating margins.

Net income is compressed immediately post-acquisition due to new debt but is gradually restored to pre-LBO levels.

Cost optimisation drives EBITDA Margin expansion of ~8%, contributing to sustained deleveraging.

Sources: S&P Global, LSEG, EA 10-K, EA Public Relations



How is Value Creation reflected on the Income Statement?

LBO – Model

Debt Schedule Summary

All figures in \$USD mn, except on a per share basis

	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Principal Issuance (Repayments)							
Existing Debt (ST & LT)	(401)	(1,499)	–	–	–	–	–
Revolving Credit Facility	0	0	0	0	0	0	0
Senior Debt		1,982	(19.8)	(19.6)	(19.4)	(19.2)	(19.0)
Term Loan		15,209	(2,348)	(1,917)	(1,961)	(2,198)	(2,583)
TLB				5,000	–	–	–
Total Principal (Repayments) / Issuances	(401)	15,693	(2,368)	(1,937)	(1,980)	(2,217)	(2,602)
Ending Balances							
Existing Debt (ST & LT)	1,499	(0)	–	–	–	–	–
Revolving Credit Facility		–	–	–	–	–	–
Senior Debt		1,982	1,963	1,943	1,924	1,904	1,885
Term Loan		15,050	12,702	10,784	8,823	6,626	4,042
TLB				5,000	4,625	4,278	3,957
Total Ending Debt Balance	1,499	17,032	14,664	17,727	15,372	12,808	9,885
Cash Interest Expense							
Existing Debt (ST & LT)	(49)	(5)	–	–	–	–	–
Revolving Credit Facility		(2)	(3)	(3)	(3)	(3)	(3)
Senior Debt		(109)	(113)	(112)	(111)	(96)	(90)
Term Loan		(949)	(867)	(734)	(613)	(425)	(280)
TLB				–	(301)	(245)	(216)
Total Interest Expense	(49)	(1,066)	(983)	(849)	(1,027)	(768)	(589)

Aggressive LBO-related Term Loan Paydown

All figures in \$USD mn, except on a per share basis

	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Term Loan							
Loan Amortisation	–	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Cash Available After Revolving Credit Line Pay Down	–	213	723	524	889	1,519	2,384
Cash Available for Discretionary Payments?	–	Yes	Yes	Yes	Yes	Yes	Yes
Cash Available for Term Loan Paydown?	–	Yes	Yes	Yes	Yes	Yes	Yes
Cash Amount for Term Loan Paydown	–	160	542	393	667	1,139	1,788
Beginning Balance	–	17,000	15,050	12,702	10,784	8,823	6,626
Mandatory Repayments	–	(1,791)	(1,806)	(1,524)	(1,294)	(1,059)	(795)
Discretionary Repayments	–	(160)	(542)	(393)	(667)	(1,139)	(1,788)
Ending Balance	–	15,050	12,702	10,784	8,823	6,626	4,042
Interest Rate	–	6.75%	6.25%	6.25%	6.25%	5.50%	5.25%
Interest Expense	–	949	867	734	613	425	280
Cash Available After Term Loan Pay Down?	–	No	No	No	No	No	No

Cash Sweep

75.00%

Sources: S&P Global, LSEG, EA 10-K



**What is the importance
of aggressive debt
paydown in an LBO?**

LBO – Model

Cash Flow Statement										
All figures in \$USD mn, except on a per share basis										
	FY 2023A	FY 2024A	FY 2025A	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Cash from Operations										
Net Income	953	1,405	1,185	1,082	446	581	860	954	1,314	1,698
Cash from NWC	110	(89)	75	169	174	61	123	160	76	143
Stock-Based Compensation	548	584	642	688	712	697	702	718	715	668
D&A	536	404	356	391	414	416	429	446	450	464
Other Adjustments	(324)	230	(1)	(39)	(35)	(29)	(23)	(16)	(8)	0
Deferred Net Revenue	(122)	(87)	(114)	(78)	(56)	(29)	0	32	65	103
Net Cash from Operations	1,701	2,447	2,143	2,213	1,655	1,697	2,091	2,295	2,612	3,076
Cash from Investing										
CapEx	(207)	(199)	(221)	(235)	(245)	(244)	(248)	(255)	(254)	(258)
Net Non-Operating Income / (Expense)	(10)	(8)	258	78	70	57	45	32	16	0
Net Cash from Investing	(217)	(207)	37	(156)	(175)	(187)	(203)	(223)	(237)	(258)
Cash from Financing										
Existing Debt Issuance / (Repayment)				(401)	(1,499)	-	-	-	-	-
Existing Acquisition-Related Equity (Purchase)					(52,362)	-	-	-	-	-
Revolving Credit Line Issuance / (Repayment)				-	0	0	0	0	0	0
Senior Debt Issuance / (Repayment)				-	1,982	(20)	(20)	(19)	(19)	(19)
Term Loan A Issuance / (Repayment)				-	15,050	(2,348)	(1,917)	(1,961)	(2,198)	(2,583)
Equity Consortium Contribution				-	30,816	-	-	-	-	-
PIF Equity Rollover				-	5,184	-	-	-	-	-
Dividends & Share Buybacks				(2,500)	-	-	-	-	-	-
Unfinanced Commitment				-	1,000	-	-	-	-	-
TLB				-	-	-	5,000			
Equity Distribution				-	-	-	(4,900)	-	-	-
Fees				-	(1,154)	-	(100)	-	-	-
Net Cash from Financing				(2,901)	(983)	(2,368)	(1,937)	(1,980)	(2,217)	(2,602)
Cash Balance										
BOP Cash Balance				2,136	1,291	1,788	931	881	972	1,130
Net Change in Cash				(845)	497	(857)	(50)	91	157	216
EOP Cash Balance				1,291	1,788	931	881	972	1,130	1,346

Equity Returns Schedule									
All figures in \$USD mn, except on a per share basis									
	Close	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E		
				Forecast Fiscal					
				Year End					
	15/05/2026	01/04/2027	01/04/2028	01/04/2029	01/04/2030	01/04/2031	01/04/2032		
Enterprise Value									
EBITDA	1,908	2,047	2,171	2,461	2,805	3,079	3,479		
Exit Multiple	23.5x	23.5x	23.5x	23.5x	23.5x	23.5x	23.5x		
Enterprise Value	44,849	48,102	51,025	57,827	65,908	72,355	81,746		
Total Debt	1,499	17,032	14,664	17,727	15,372	12,808	9,885		
Cash Balance	1,291	1,788	931	881	972	1,130	1,346		
Total Net Debt	207	15,244	13,734	16,846	14,400	11,678	8,539		
Equity Value									
Enterprise Value		48,102	51,025	57,827	65,908	72,355	81,746		
Net Debt		(15,244)	(13,734)	(16,846)	(14,400)	(11,678)	(8,539)		
Equity Value		32,858	37,292	40,980	51,508	60,677	73,207		
Dividends		-	-	4,900	-	-	-		
Equity Investor	IRR	MOIC	Close	Year 0 (25)	Year 1	Year 2	Year 3	Year 4	Year 5
5-Year-Horizon	15%	2.0x	(36,000)	-	-	4,900	-	-	73,207
4-Year-Horizon	14%	1.7x	(36,000)	-	-	4,900	-	60,677	
3-Year-Horizon	13%	1.4x	(36,000)	-	-	4,900	51,508		
2-Year-Horizon	5%	1.1x	(36,000)	-	-	40,980			
1-Year-Horizon	2%	1.0x	(36,000)	-	37,292				
0-Year-Horizon	-10%	0.9x	(36,000)	32,858					

Sources: S&P Global, LSEG, EA 10-K





**Why would a PE firm
undertake a Dividend
Recapitalisation?**