

EA: PIF-SILVER LAKE \$55B DEAL

PRIVATE EQUITY REPORT

PRIVATE EQUITY DIVISION

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Introduction

After decades of being one of the biggest publicly traded videogame companies, Electronic Arts (EA) is set to go private in a deal that values the company at around \$55 billion in enterprise value. On 29 September 2025, the gaming giant announced that it would be fully acquired by a consortium including the Public Investment Fund (PIF) of Saudi Arabia, the private equity firm Silver Lake, and the Miami-based investment firm Affinity Partners. The studio has revealed that stockholders will receive \$210 per share in cash, which represents a premium of around 25% to the unaffected price of approximately \$168.32 on 25 September. The deal will be financed through \$36 billion in equity and \$20 billion in debt, with a target closing date in the beginning of 2027.

Electronic Arts' buyout stands as the largest ever all-cash privatization of a publicly traded company of its kind. This move represents a big shift in EA's future, as it can give the firm greater strategic flexibility and allow them to stop worrying about quarterly market pressures. On the other hand, this transaction also highlights PIF's and Silver Lake's trust in digital entertainment, following the latter's acquisition of the global sports company Endeavor earlier this year. Nonetheless, this move also worries gaming lovers for they fear that profit goals or debt repayments could limit creative freedom.

Strategic rationale behind the acquisition of Electronic Arts

we now turn to understand which was the strategic rationale behind such a strong move.

Why EA? :

Electronic Arts represents a case of “blue chip interactive entertainment”: a unique mix of consolidated IPs, digital infrastructure and capacity of monetization through recurrent services. Franchises like EA Sports FC, The Sims, Battlefield and Apex Legends constitute intangible assets with high margins and extended life cycles.

Focusing on the private equity point of view, EA satisfies many of the usual criteria requested by these kind of investors. Namely, the company is a leader of its market, ranking 6th in the interactive entertainment business worldwide and the 3rd in the US. Additionally, it has solid cash flows and high barriers of entry connected to its brand equity and the user's ecosystem. Another appealing feature of the company is its strong management, which as a matter of fact the consortium wishes to maintain.

Finally, EA is a perfect-positioned player in a business which is overgoing tremendous change. For instance, the company is adapting to the expansion of live-service models, which are games that are updated continuously that permit to extend the product's life cycle and to elevate the strategic value of IP.

Why now?:

The timing of the operation reflects a double strategic advantage. Firstly, a consolidation phase is ongoing within the gaming industry. Big players such as Activision Blizzard (Microsoft) and Sony are integrating their content with platforms and AI technologies. This acquisition gives EA the opportunity to preserve its independence from a creativity standpoint.



Secondly, the private equity context as we all know is evolving. In a period with weak exit markets, funds have big reserves of dry powder – currently \$1.3 Trillion globally in 2024 – which needs to be employed in resilient and scalable assets.

Investor Angle :

During the press release, the representatives of the investor consortium highlighted the different motives surrounding their choice to invest in Electronic Arts.

For PIF the operation represents a step into the construction of a global ecosystem of sport and entertainment. As a matter of fact, this acquisition comes after a series of investments in companies such as LIV Golf, Newcastle United and some media companies (i.e. MBC Group).

This acquisition will help PIF reach Saudi Arabia's strategy "Vision 2030", which aims to diversify its economy over oil.

Silver Lake, on the contrary, follows a more financial and technological approach. As leader GP of the consortium, it aims to add value through operational efficiency, IP portfolio expansion and to add value to current cash flows from EA Play and EA Sports FC. Basically, Silver Lake looks to generate alpha through an active management.

Finally, Affinity Partners is a minority part of this transaction and aims to adopt the same strategy as SL. In the words of the company's CEO Jared Kushner: "Electronic Arts is an extraordinary company with a world-class management team and a bold vision for the future".

Financials Implication

Regarding the financing structure of the deal, the equity side of the transaction is expected to be \$36 billion with PIF as the major contributor, followed by Silver Lake as a major co-investor, and Affinity Partners as a minority financier. Additionally, the total debt capacity available, meaning the maximum financing that partners can borrow from banks and other lenders for this buyout, is \$20 billion. However, the expected amount to be used when the deal finally closes is estimated to total \$18 billion. The other \$2 billion will offer flexibility to cover other aspects of the agreement, such as future funding needs post-acquisition.

It is expected for the buyers to form a new holding company (NewCo) to raise the money and buy Electronic Arts, merging it later with the NewCo. This technique is commonly used when dealing with LBOs as it is simpler for lenders to finance NewCo rather than giving the money directly to sponsors. After the merger, EA will be the surviving company but now with private ownership, and the underwriter and arranger of the deal will be JPMorgan Chase Bank. Moreover, the target closing timeframe for the take-private and delisting from the NASDAQ is early 2027 (Q1), subject to regulatory approvals. In respect to the stockholders of EA, they will receive \$210 per share, an approximated premium of 25% to the unaffected price of around \$168 recorded on September 25.

In previous agreements, such as the Twitter, Endeavor, or Dell deal, the weighted average cost of debt (WACD) was 6%. So, assuming the same cost for this acquisition, the annual interest expense would be set at around \$1.08 billion (\$18 billion x 6%). EA's EBITDA for fiscal year ending in 2025 (Apr24-Mar25) was \$2.02 billion, which gives an interest-coverage ratio of



almost 1.9x, indicating an adequate debt repayment situation as the company generates nearly twice as much required to meet annual interests.

Furthermore, it should be mentioned that EBITDA only shows profitability before non-cash expenses, so investors need to also consider that the operating cash flow in FY25 was \$2.08 billion, and that the capital expenditure (capex, money spent on long-term assets) was \$221 million, which left the firm with a free cash flow of \$1.86 billion. If cash flows stay stable, EA would have around \$780 million left in cash after paying the \$1.08 billion annual interest, part of which could be employed to repay the principal or reinvest in operations to increase revenue. Simultaneously, it would be expected that management will be ordered to optimize capital expenditure, focusing on short-term projects and deferring new game engines, data centers or major technology upgrades.

Value Creation lever:

Moving on to the key value-creation levers the consortium aims to use to boost its returns on the deal, various methods have to be taken into account.

Indeed, the deal added a huge \$20 billion debt burden on the company. Moreover, the \$55bn purchase price is about 20 times forecast EBITDA for the current financial year, according to LSEG, compared with a 10-year average of 14 times.

Additionally, pressure on innovation derives from the rising development costs, regulatory scrutiny of in-game monetization and the volatility of player engagement. The industry's compound annual growth rate has slowed to 1% from 13% between 2017–2021, pressuring companies to innovate.

Hence the new shareholders need to strategically manage levers for value creation in order to avoid bankruptcy, that would not be unseen in debt-heavy past LBOs, and to boost returns on the massive investment. The consortium will use various value-creation levers. We expect improvements in operational efficiency through AI adoption, workforce reductions, and the shutdown of non-essential activities. The company is also likely to broaden its IP portfolio, supported by greater freedom under private ownership and faster, higher-quality development enabled by AI. In parallel, expansion in live-service monetization and entry into new markets should sustain revenue growth, while deleveraging and multiple expansion strengthen long-term equity value.

The Electronic Arts buyout represents a bet by the consortium on the fact that artificial intelligence will yield massive reductions in production expenses for games, materially boost EA's margins and cash flow in the coming years.

The idea is that smart algorithms could replace software engineers, chipping away at EA's annual \$2bn research and development bill. If successful, this technological shift would allow the equity consortium to manage a large debt load on a company that historically carried limited net debt.

AI is already widely used across Silicon Valley to accelerate many kinds of computer programming, and its applications in game development are rapidly expanding. Beyond coding acceleration, machine learning tools can automate playtesting to avoid bugs before release, generate environments, replace traditional voice acting, and perform many other tasks. We already see from other studios examples of voice creators and the use of AI-driven content creation tools that automate world-building, animation and design



processes. It has already been shown that these technologies can shorten development cycles and cut costs. Additionally, the consortium hopes to significantly reduce overheads as well through the use of AI.

Another lever of the value-creation plan consists of staff layoffs and the shutdown of underperforming divisions. The plan will be to concentrate resources on EA's most profitable franchises, while selling dormant intellectual properties, which consequently means workforce reductions. EA told employees there would be no immediate layoffs, though the duration of that reassurance remains uncertain as the deal's closing approaches.

Indeed, eventual layoffs and the discontinuation of non-essential activities are inevitable, as the nature of leveraged debt often necessitates cost cutbacks and the divestment of non-core assets. As a matter of fact, leveraged buyouts rely heavily on debt, and that typically translates into workforce reductions, tighter growth budgets, and a lower tolerance for risk.

The precedents are clear: after Microsoft's \$68.7 billion acquisition of Activision Blizzard in 2023, the company cut 1,900 jobs and cancelled several ongoing projects. Similar strategies could unfold at EA, particularly across smaller or less profitable franchises — as Microsoft has already shown, workforce reduction is a conspicuous feature of the generative-AI era.

In its investor presentations, EA identifies six major titles as its core business: Apex Legends, Battlefield, EA Sports College Football, EA Sports FC, Madden, and The Sims, alongside the free-to-play revival of Skate. Within this framework, experimental projects and lower-performing brands risk being discontinued.

The subsequent phase of the value-creation strategy centres on the expansion of EA's intellectual property portfolio.

As a matter of fact, the transition from a publicly traded company to private ownership could give EA more freedom in future developments. This shift could enable the company to focus more on long-term innovations and strategic initiatives, without the constant pressure of quarterly earnings and public market scrutiny. This means EA could get more room to do what they do, resulting in more or better games.

Expanding EA's intellectual property could involve developing sequels and spin-offs, enhancing production quality, and pursuing cross-platform expansion, among other initiatives.

A boost to IP expansion could come from the integration of artificial intelligence, which enables the creation of deeper and richer experiences while allowing developers to work faster and at higher quality. Some believe the technology may soon go much further in producing more realistic and responsive characters and adapting storylines to players' individual preferences. Examples of implementable AI tools are machine learning for realistic movement, text-to-speech systems for dynamic in-game dialogue, and AI NPCs capable of interactive, personalized conversations that enhance immersion and engagement.

Another pivotal value-creation lever is live-service monetization. EA has been expanding into live-service games, i.e. videogames built on a continuous revenue model. Such games enable the company to generate income well



beyond the initial sale, through ongoing content updates and in-game purchases.

Today, about 75% of EA’s total player spending comes from ongoing in-game monetization rather than from one-time game purchases. This shows how EA has built stable cash flows, which is a crucial element in a leveraged buyout. Live services make the company’s income less volatile and more predictable, which is essential when a company must pay annual interest on large debt.

Live-service models extend a product’s life cycle by keeping players engaged over time and significantly enhance the long-term value of the intellectual property.

EA can rely on its 700 million user accounts and one of the richest content libraries in the industry, including the titles such as EA Sports FC, Madden NFL, and Battlefield. Expanding its live-service offerings represents a major opportunity to increase earnings.

However, EA has recently faced criticism for its shift toward live-service gaming as well as for monetization practices that some gamers view as overly aggressive. Indeed, experts actually suggest that the additional capital from privatization could allow EA to ease its reliance on these aggressive microtransaction strategies.

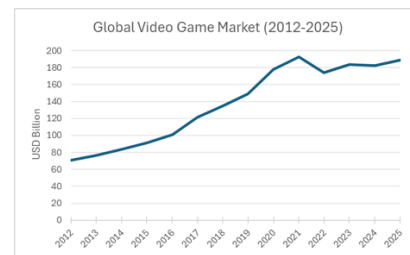
Moving to another value-creation lever, i.e. market expansion, going private could help EA strengthen its footprint in fast-growing regions such as Asia and the Middle East, while accelerating its push into fast-rising segments like mobile, cloud gaming, and e-sports. Expanding its user ecosystem will be central to this effort, as Silver Lake believes advances in AI will create more leisure time and greater spending on sports and entertainment.

Finally, value creation will also rely on classic private equity levers such as deleveraging,

which consists of using cash flows to strengthen the balance sheet, and multiple expansion, as operational improvements and AI-driven growth could justify a higher valuation at exit.

Industry Context & Competitive Landscape

The global video games market reached USD 182.5 billion in total consumer spending in 2024, with an expectation of ending 2025 at USD 188.8 billion. The scope of the global video games market includes PC, console, and mobile gaming software and services, excluding hardware, gambling, and B2B revenues.



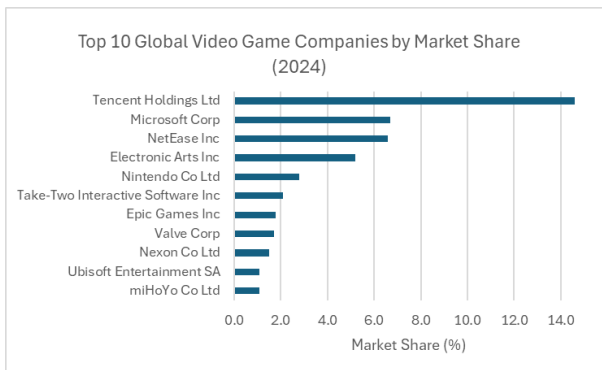
Three years ago, the global video games market was sized at USD 173.8 billion, reflecting a compound annual growth rate (CAGR) of 2.8% (2022-2025). Growth is now projected to accelerate slightly, with an expected CAGR of 3.0% (2025-2028), to reach USD 206.5 billion in consumer spending in 2028, according to Newzoo; Euromonitor reflects retail software only.

Consumer spending in this market is highly concentrated in a few regions. Asia-Pacific accounts for almost half of total demand with USD 77.8 billion in Retail Value RSP (expressed in current prices), followed by North America (USD 47.7 billion), and Western Europe (26 billion) (Euromonitor International). Looking at global revenue by platform in 2025, mobile gaming is expected to account for approximately 55% of the market, followed by console gaming at 24% and PC gaming at 21%.



Growth in this market is supported by structural shifts. Live-service models have become the industry standard, allowing for recurring revenue within games. Simultaneously, AI integration makes development more efficient, while growing cross-platform ecosystems are expanding the consumer base beyond traditional consoles.

M&A and Private Equity Trends



Global gaming M&A peaked in 2022, reaching USD 90 billion in total deal value, driven by several notable transactions. Microsoft acquired Activision Blizzard for USD 68.7 billion, making it the largest M&A deal in gaming history. The acquisition aimed to expand Microsoft’s content portfolio and strengthen its Game Pass subscription platform. Take-Two Interactive’s acquisition of Zynga for USD 12.7 billion marked a strategic move beyond its console and PC focus (Grand Theft Auto, NBA 2K) into mobile gaming. This deal diversified Take-Two's income sources and increased exposure to the high-growth mobile segment, supported by in-app monetization. In the same year, Tencent, a leading Chinese gaming company and stakeholder in Epic Games, took a USD 300 million minority stake in Ubisoft as part of its strategy to gain access to well-known Western game franchises.

These deals are driven by several consolidation factors. Starting with IP scarcity, there are only a few globally recognized franchises, such as Call of Duty, GTA, and EA Sports FC (formerly

FIFA), that drive the majority of revenue. As a result, publishers consolidate to secure proven IP and reduce creative risk. Rising development costs also contribute to consolidation. With AAA games sometimes exceeding USD 200 million and several years to produce, sharing technology has become crucial for cost efficiency. Finally, platform convergence is blurring the boundaries between console, mobile, and PC as cross-platform play and unified digital ecosystems (e.g., Game Pass, PlayStation Plus) drive content and distribution integration.

These market forces have shaped the profile of today’s most active acquirers. Strategic buyers, those that operate directly within the gaming industry (e.g., Microsoft, Sony, Take-Two, Tencent), remain the main force in gaming M&A, acquiring studios to expand portfolios and secure valuable IP. Since 2020, private equity and sovereign wealth funds have also entered the space drawn by the sector’s recurring online revenues and stable cash flows. Savvy Games Group (backed by Saudi PIF) committed USD 38 billion to gaming, including its USD 4.9 billion purchase of Scopely. Embracer Group pursued a roll-up for over USD 8 billion, acquiring and combining over 60 mid-sized studios to build scale.

Post-Acquisition Competitive Positioning:

Within this consolidating landscape, EA’s privatization allows for a new competitive standing among the leading Western publishers: Activision Blizzard, Take-Two Interactive, and Ubisoft.

The gaming industry is expected to remain concentrated among a few major players, each pursuing distinct strategies in content and monetization.

Activision Blizzard remains the largest Western publisher under Microsoft, benefiting from



scale and distribution reach of its integration into the Xbox and Game Pass ecosystem (Reuters, 2025). However, being part of a larger corporation can slow decision-making and limit flexibility. As a private company, EA gains more direct control over investment priorities, allowing for faster investment in live-service content and player engagement, where being agile matters more than being big.

Take-Two Interactive and Ubisoft face similar structural challenges that contrast with EA's new position as a private company. Take-Two's success still depends on infrequent major releases. For example, it has been 13 years since Grand Theft Auto V. Ubisoft has also struggled, reporting a 20.5% YoY drop in net bookings due to delays and underperforming IP, according to Reuters. In comparison, EA's diverse portfolio is supported by annual sports franchises and continuously updated online games, generating steadier revenue and player engagement. As a private company, it can reinvest these recurring revenues without the quarterly earnings pressure that continues to constrain Take-Two and Ubisoft, strengthening its resilience in a market shifting towards service-based models.

By going private, EA exits the cycle of short-term market expectations and goes into a freer space where it can define its own pace of growth. Its success will now depend on how effectively it invests in new experiences and maintains consumer trust, in an industry where consolidation often limits both.

Strategic implications:

From a strategic perspective, the consortium appears to be placing a bet on the enduring value of EA's globally recognised intellectual properties (IP) such as the Madden NFL franchise, The Sims and Battlefield — and on the potential to restructure and scale EA's

operations more aggressively under private ownership.

The delisting and the consequent removal of public-market constraints may enable longer-horizon investment in live-service models, cloud-gaming platforms and cross-media expansion.

However, the heavy leverage raises clear risks: according to Breakingviews, the debt financed is nearly seven times EA's expected EBITDA for the year. Under such pressure, there is a danger that cost discipline may override creative flexibility, studio autonomy may be compromised, and the identity of EA's development culture may be at risk.

Furthermore, the presence of a state-backed investor raises regulatory and geopolitical concerns. Analysts note the deal “marks a turning point in the videogame industry” as firms look to monetize IP through media cross-overs and consolidation.

Stakeholder impacts:

For employees and the internal studios of EA, the acquisition offers a two-fold horizon. On one hand, the company's transition into private ownership could free EA from quarterly earnings pressures and enable more ambitious long-term R&D, experimentation with emergent technologies (such as AI-generated content) and enhancement of global live-service infrastructure. On the other hand, the new ownership and debt burden may intensify demands for cash generation, lead to portfolio rationalization, project cancellations, and potential studio consolidations or layoffs. The culture of creative autonomy—central to EA's studios—may face serious test.

For gamers and the broader community, the acquisition evokes both opportunity and concern. On the positive side, better-capitalised ownership may translate into higher



production values, more international reach and longer-term live-service support. On the cautionary side, players fear increased monetisation pressure, deprioritisation of niche or experimental titles in favour of blockbuster scale, and potential compromises in creative freedom especially given the sovereign investor’s cultural context. Hence, community trust becomes a critical intangible.

For shareholders of EA, the deal delivered immediate value through a substantial premium. However, by taking EA private, publicly traded performance transparency ceases, and the future upside becomes contingent on private execution. The risk lies in whether the heavy debt load and integration demands suppress future growth or impede creative momentum.

Licensors (sports federations, entertainment franchises) partnering with EA face a reshuffled strategic partner. While the new owner brings ambition for global scaling, which may enhance franchise value and e-sports opportunities, licensors could also expect potential shifts in licensing terms and revenue-sharing models.

As the deal accelerates consolidation in the gaming sector, **competitors and the industry** ecosystem will inevitably be affected by the transaction. The acquisition raises barriers to scale for smaller studios, and may trigger a new wave of strategic M&A. At the same time, agile independent studios may seize differentiated niches as the scaled giants focus on mass-markets.

If the acquiring consortium can preserve EA’s creative ecosystem, maintain studio autonomy and balance growth with financial discipline, the deal may unlock substantial value. However, the heavy debt, the pressures of cost-efficiency, and the heightened regulatory risk make this a high risk, high potential transaction.

Conclusion

The \$55 billion take-private acquisition of Electronic Arts by a consortium including PIF, Silver Lake and Affinity Partners reflects confidence in EA’s core strengths. EA boasts a robust portfolio of iconic game franchises and a strong market position, demonstrated by its successful shift to live-service gaming that generates steady recurring revenues from flagship titles. These fundamentals underpin the transaction, which is being financed by roughly \$36 billion in equity (including PIF’s rolled stake) and about \$20 billion in debt. This large equity commitment, together with EA’s strong cash flows, is expected to support the significant leverage, while the new owners aim to drive additional value through operational efficiencies, AI-driven innovation, expansion of EA’s intellectual property, and capitalizing on market growth.

Despite its promise, the deal’s heavy debt load presents risks. Elevated leverage could pressure EA to cut costs or restructure, potentially affecting employees and game development. Balancing debt service with continued investment will be critical to maintaining product quality and retaining talent. Key stakeholders will each feel the impact: employees face uncertainty but may benefit if new ownership delivers long-term growth; gamers and licensors anticipate continuity in EA’s offerings and partnerships; and EA’s public shareholders have secured immediate value from the deal’s premium payout. This acquisition carries broader implications for the gaming landscape. It exemplifies the consolidation trend as major investors seek scale and prized IP, following other mega-deals in the sector. EA’s move to private ownership is poised to reshape competitive dynamics in an increasingly consolidated industry.



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