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BOW Finance Newsletter

February 18th, 2021

Issue VII

M&A: Electronic Arts Acquiring Glu Mobile

Written by Kendall Dees



Type of Deal: M&A

Industry: Electronic Gaming and Multimedia

Acquirer: Electronic Arts (Ticker: EA) (Stock Price of EA as of 2/16/21: US \$145.41)

Target: Glu Mobile (Ticker:GLUU) (Stock Price of GLUU as of 2/16/21: US \$12.66)

Time announced: February 8, 2021

Goal for closing: Second quarter of 2021

Purchase Price: \$2.4 Billion

Acquisition Rationale/Discussion:

- Industry Background:** Electronic Arts is a California-based company that creates, publishes, and distributes games for a variety of gaming devices. Glu Mobile also produces games, but has certain partnerships with third party licensing brands, such as Kim Kardashian and Gordon Ramsay, that has allowed it to curate a portfolio of games that theoretically appeal to the growing female gaming community. The COVID-19 pandemic has resulted in a surge in users flocking to the virtual world and purchasing gaming devices. According to Yahoo Finance, video game sales jumped 27% in 2020 compared to 2019.
- Electronic Arts Incentive:** Electronic Arts seeks to diversify its portfolio of games by acquiring Glu Mobile. Specifically, they are looking to capitalize on the growing market of female gamers. Glu Mobile's portfolio includes games such as Kim Kardashian: Hollywood, Covet Fashion Designer, Cooking Dash, and Design Home. Prior to the acquisition, Electronic Arts primarily published games across genres such as sports, shooting, role-playing, and simulation. This move will provide Electronic Arts with access to Glu's female-dominated customer base.
- Risk:** As the pandemic hopefully comes to an end, this may inhibit the continuation of the current boom in the popularity of the gaming market. If EA is able to secure loyal users prior to the lifting of stay at home orders, then they may be able to combat this risk.
- Brief Analysis:** The fact that this is Electronic Arts' second acquisition of a gaming company in two months indicates that they are attempting to quickly increase their control over the gaming market, capitalizing on current consumer trends. EA's diversification of their portfolio of games will decrease their risk in the industry and allow them to market their brands to a wide variety of gamers.

Resources:

<https://finance.yahoo.com/quote/EA/profile?p=EA>

<https://finance.yahoo.com/quote/GLUU/profile?p=GLUU>

<https://www.polygon.com/2020/12/23/22195636/2020-year-in-review-video-game-industry>

<https://www.wsj.com/articles/electronic-arts-to-acquire-glu-mobile-in-2-4-billion-deal-11612818823>

IPO: Bumble

Written by Ivy Zhang



Type of deal: IPO

Industry: Dating App Operator

Time announced: January 19th, 2020

Time closed: February 11th, 2021

Stock price: The company was listed on the Nasdaq Global Select Market on December 11, 2020 under the symbol "BMBL" and jumped 64% on its first day of trading, expanding the IPO to raise US \$2.15 billion. Stock price as of Feb 13: US \$75.46

Advisors: Goldman Sachs, Citigroup, Morgan Stanley, and JP Morgan led the offering

About Bumble:

Bumble is a dating app that lets people swipe through profiles of potential matches. It has made history in the dating world for its female-focused algorithm and trademark requirement of allowing women to make the first move when messaging new matches, which has defied traditional gender norms and put women in a position of power. The company believes letting women make the first move "resonates across different countries and cultures" and has focused on understanding the culture of each market it enters to give the app a "local", personalized feel. Bumble has a "freemium" business model whereby users can join and match for free with an option to pay for extra perks. The app generates revenue primarily from in-app purchases and subscription-based upgrades, like the ability to see who already liked your profile, as well as a small portion from ads and partnerships. The app had 12.3 million monthly active users and 2.4 million paying users as of Sept. 30th, 2020. Bumble Inc. also operates Badoo (another dating app popular in Europe), Chappy, and Lumen. Bumble's biggest competitor is the Match Group, which operates Hinge, Tinder, OKCupid and other apps. The Match Group has a market cap of \$46 billion.

Discussion:

- Opening Day:** Investors "swiped right" on Bumble Inc as it made its public debut on January 11. Before going public, Bumble sold 50 million shares in private markets to accredited investors, priced at \$43 each. When the shares were offered to the public during its IPO, its stock began trading on the secondary markets at \$76 per share (jumping 77% from the offer price), and closed at \$70.31 (up 64%). The company raised \$2.2 billion through the IPO and achieved a market cap of \$45.8 billion.
- Making History:** CEO Whitney Wolfe Herd, at 31, is the youngest woman to take a company public in the U.S. She started Bumble in 2014 to solve a real-world relationship problem: how to find love for the millions of women just waiting around for men. Before her time at Bumble, Wolfe Herd previously co-founded the dating app Tinder but sued the parent company IAC for sexual harassment and quit her role. Private equity firm Blackstone invested a majority stake in Bumble in 2019 and ousted Wolfe Herd's Bumble co-founder and longtime partner Andrey Andreev amid accusations of racism and sexism to employees.
- Breaking the Glass Ceiling:**
 - Bumble's female leadership extends to the company's board of directors and investors including Priyanka Chopra Jonas and Serena Williams. Bumble's management is an exception among female representation and success in U.S. corporations.
 - Measures to increase diversity in business have ramped up in recent years. Nasdaq, where Bumble is listing its shares, recently filed a proposal with the SEC (Securities and Exchange Commission), a federal agency that regulates the financial markets, that would require all companies on the Nasdaq to share diversity statistics of their board of directors. Goldman Sachs also said last month that it would not take companies public if they didn't have at least one diverse board member, and many venture-capital firms focused on funding female-led start-ups have emerged in recent years. However, just 6% of companies in the S&P 500 have a female CEO, and although more than 20 female founders have taken companies public, funding to women-led start-ups has hit a three-year low in 2020. The U.S. undoubtedly has a long way to go.
- Funding the Future:** The company is using its IPO proceeds to pay down debt and explore future acquisitions. It believes it has significant market share to gain the market is not a "winner-take-all" where one app dominates since people have an average of two dating apps on their phones. Bumble is focusing its future business on converting more of its user base to those paid customers by reinvesting in monetization features. It aims for international expansion and growth of the company's offerings for friendships (Bumble BFF) and professional networking (Bumble Bizz).

Market Updates

Written by Lily Brown

Quick Updates:

1. Stocks

- S&P 500 hits another all-time high following talks of another round of stimulus spending and continued decreases in daily coronavirus cases in the United States
- Major indexes - S&P 500, DOW, and Nasdaq - are mixed after closing at record highs, suggesting a possible pause in the near future

2. Bonds & Rates

- 30-year U.S. Treasury Bond goes past 2% for the first time since the pandemic began, indicating an investor shift to riskier assets
- In hopes of proving its investors' loyalty, Alibaba Group sells \$5 billion in bonds. Investors are **eager to back the group** despite recent troubles with authorities.

3. Currency

- Dogecoin continues to gain traction, valuing at more than Western Union, Xerox Holdings, and Under Armour
- Bitcoin is now being accepted as a form of payment by Tesla

4. Commodities

- Diamond prices reach highest point in a year and a half after reopening of economies in Asia and increase in purchases during holiday season
- Wood-pulp prices surge on Shanghai Futures Exchange due to people using more paper takeout containers and toilet paper at home
- A chilly February forecast causes natural gas prices to soar

Analysis and Discussion:

Will Bitcoin Ever Be Widely Accepted?

Since its inception in 2009 by founder Satoshi Nakamoto, Bitcoin has been infamous for its tumultuous trading history. It has such a rocky history that it is often compared to the **Beanie Baby** fad of the 1970s as well as the **Dutch Tulip Mania** of the 1600s. Although it began as an alternate way for daily transactions to occur, it has yet to gain traction as a viable form of currency in the past decade that it has been in use.

Bitcoin's **shaky price history** came to light yet again during the market shut down during the COVID-19 pandemic. After beginning 2020 at US \$7,200, the cryptocurrency skyrocketed 224% by the end of December 2020 at a little under US \$24,000. This is thanks to major financial players, such as MicroStrategy Inc. (MSTR) and Square Inc. (SQ), announcing a commitment to incorporating Bitcoin into their treasuries in place of cash.

After Tesla founder Elon Musk **announced** to his customers on February 8 that they will be able to purchase one of his popular vehicles with Bitcoin, the cryptocurrency surged 25% to US \$48,226 on February 9. This announcement was simultaneous with that of **Tesla acquiring US \$1.5 billion of Bitcoin**, further validating the cryptocurrency's place in the market. However, there is still a lot to be said with the realistic expectation of using Bitcoin as an everyday means of transaction.

What does this mean?

While it is easy to get swept up in the seemingly daily records that Bitcoin hits, it is important to note the previous bubbles that it has undergone. After all, the cryptocurrency began 2020 at only US \$7,200. Moreover, the nature of Bitcoin lends itself kindly to large purchases, making it feasible to purchase a car with it. Its investors have shown that they are loyal and spend big, which makes it appear that it is the wave of the future. However, the average person may not want to use the cryptocurrency on an everyday purchase like a morning US \$5 latte or an afternoon US \$17 lunch. The fees associated with Bitcoin are far too large to justify spending on a purchase not over a certain amount. For instance, a US \$4 purchase would take several hours for the **transaction** to go through, or you could pay a US \$5 fee to **speed up the process**. Other fallbacks of the cryptocurrency include its daily volatility and its tax nature: the IRS views Bitcoin as property, not currency, forcing all users to pay capital-gains tax on any transaction.

So, will it be used daily?

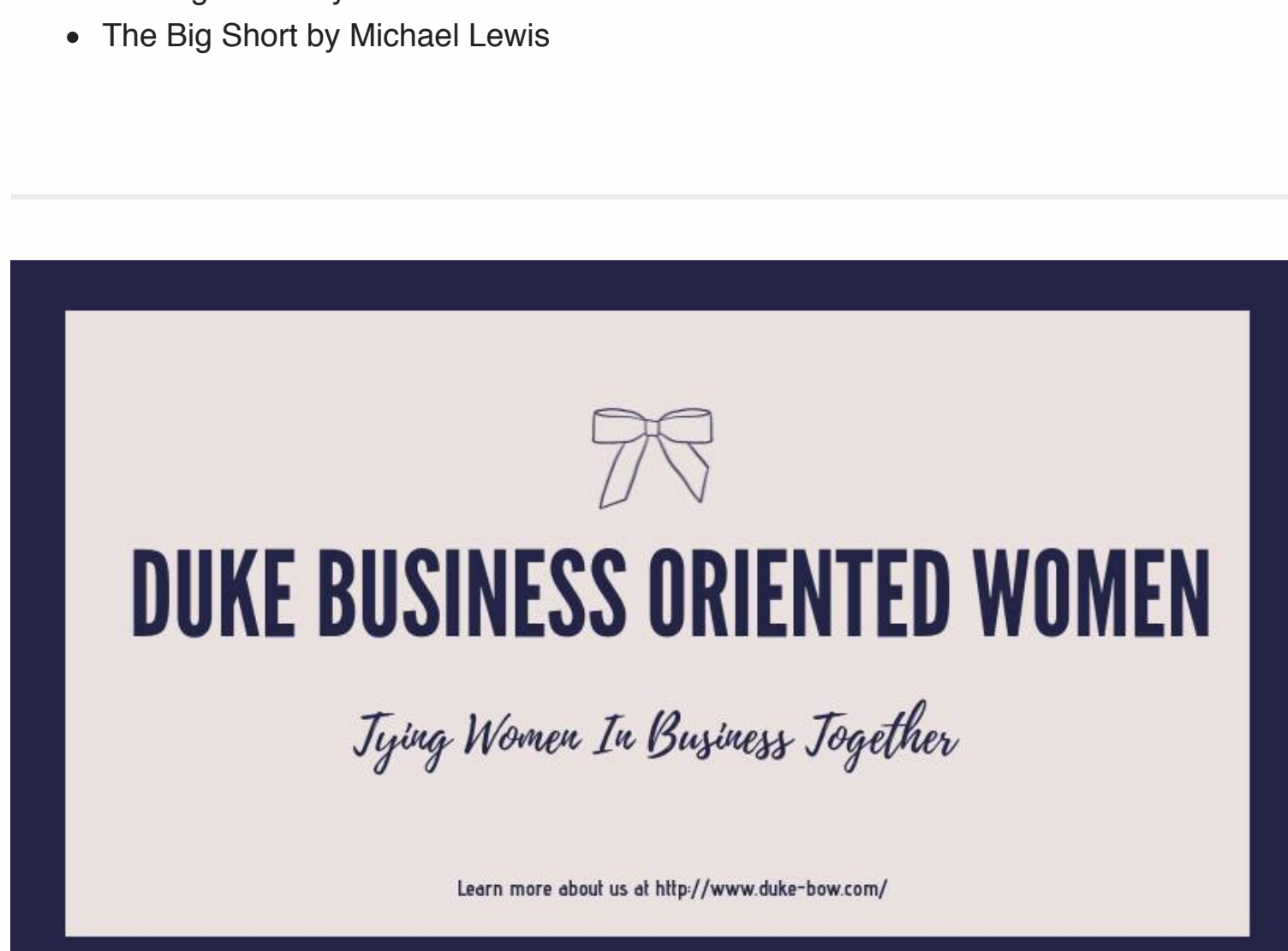
It is difficult to see Bitcoin being widely accepted by private companies, countries, and governments as a form of payment. There is no legitimate backing to it, and it appears to reach wildly to social media and popular culture. As **economist Nouriel Roubini** warns that "the current bubble will eventually end in another burst" there are two obvious questions to be asked: when will it burst, and just how shaken will the stock market be when it does?

Advice Column: What I Wish I Knew

Advice from upperclass(women) who have been through the finance recruitment process:

If you're interested in finance, here are some great books that are interesting to read and also might serve as a great talking point in interviews:

- Breathe In, Cash Out by Madeleine Henry
- Liar's Poker by Michael Lewis
- Flash Boys by Michael Lewis
- Freakonomics by Steven D. Levitt and Stephen Dubner
- Thinking Fast and Slow by Daniel Kahneman
- Too Big to Fail by Andrew Ross Sorkin
- The Big Short by Michael Lewis

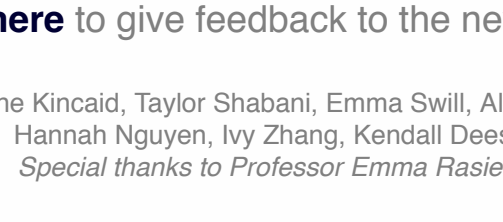


Disclaimer: These articles are written by Duke students and only represents the opinions and understandings of the writers. In addition, please do not talk about the same transactions and news when conversing with firm representatives visiting campus - this is designed as an overview of the industry and to help you think more in depth about finance.

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