

Disney Purchases Playdom, a Social Game Start-Up

Brooks Barnes and Claire Cain Miller, *The New York Times*
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LOS ANGELES — The Walt Disney Company became Hollywood's leading player in the booming social gaming business on Tuesday with the purchase of Playdom in a deal that could be worth up to \$763.2 million.

Playdom is one of a cluster of tech start-ups that make simple online games and sell virtual goods — like a \$2.50 outfit for a character in Playdom's *Sorority Life*, in which players shop, party and go to the spa. Such companies have popped by piggybacking on fast-growing social networks like Facebook.

Disney will initially pay \$563.2 million for Playdom, which is the No. 3 social gaming company on Facebook with about 42 million active players every month. The deal includes \$200 million in additional payments should Playdom achieve unspecified growth thresholds.

John Pleasants, Playdom's chief executive officer, will join Disney as an executive vice president and report to Steve Wadsworth, president of the Disney Interactive Media Group. Mr. Pleasants, who wowed the Disney board with a presentation on social gaming at a recent company retreat, is expected to work to develop new titles based on Disney characters and franchises.

Indeed, as social gaming becomes more crowded and difficult — several hundred new games are introduced on Facebook weekly and most go nowhere — brands around which to build titles are becoming more important.

"We see strong growth potential," Disney's chief executive, Robert A. Iger, said in a statement. He added that Playdom furthered his goal of delivering entertainment to "a new generation of fans on the platforms they prefer."

Disney is continuing to strengthen its digital media portfolio by betting on casual Internet games, which are blossoming in part because players of all ages are embracing them. In June Disney participated in a \$33 million financing round for Playdom. On July 1 the entertainment giant bought Tapulous, a start-up that makes music-based iPhone games.



Sales of virtual goods in social games are expected to reach \$835 million this year, according to Inside Network, a firm that researches the business. The leading company in the arena, Zynga, has raised \$520 million in venture capital and is widely expected to go public. Zynga's games, which include FarmVille, have 211 million active players every month, according to AppData.com.

Electronic Arts, which has 52 million active monthly users, became the No. 2 social gaming company when it agreed last year to pay up to \$408 million to acquire Playfish.

Playdom, which is based in Mountain View, Calif., is profitable with 2009 revenue of about \$50 million. Among its other titles are Social City, which involves building virtual communities, and Market Street, which is built around operating a shop.