

Saudi Arabia and others purchase video game giant Electronic Arts for \$55 billion

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A consortium that includes the sovereign wealth fund of Saudi Arabia, the Public Investment Fund (PIF), along with Silver Lake and Affinity Partners (wholly owned by Jared Kushner, Donald Trump's son-in-law), announced September 29 it would be acquiring video game giant Electronic Arts (EA). The \$55 billion leveraged buyout (LBO), the largest in history, is targeted for completion by June 2026.

The deal is the second largest purchase of a video game firm, after Microsoft's purchase of Activision Blizzard in 2022 for \$68.7 billion.

Electronic Arts' most popular games include *EA SPORTS FC* series (formerly FIFA), the *Sims* franchise, the *Battlefield* series and the battle royale game *Apex Legends*. Other highly popular EA titles are the *Mass Effect* trilogy and *Star Wars Jedi: Fallen Order*.

The LBO to obtain Electronic Arts includes \$35 billion from the consortium, while \$20 billion in financing is expected to be provided by JPMorganChase. A leveraged buyout is a transaction where a company is bought using a great deal of borrowed money. The purchased firm's assets and future cash flows are generally used as collateral. The goal, not always achieved, is to pay off the huge debt over a period of time.

EA is immediately saddled with \$20 billion in debt. That large amount of debt means that the new owners will have to institute changes to EA's operations. Reports indicate the consortium plans to integrate artificial intelligence (AI) into all aspects of the corporate structure in an effort to reduce costs and build profits.

Mat Piscatella, senior director at market research firm Circana, called that debt figure "a shockingly large number to have to service." EA may need to quickly and aggressively adapt, which could mean more layoffs and increased monetization. EA laid off 670 workers in 2024, and an additional 300-400 in May. According to a report from the *Financial*

Times, EA's new investors are betting on AI-powered cost-cutting measures to "significantly boost EA's profits in the coming years." (*Polygon*)

The Private Equity Stakeholder Project (PESP), a non-profit watchdog organization, commented that the

remarkable amount of debt used to finance this mega-deal is more than twice EA's FY25 revenue. Leveraged buyouts such as this one are a critical driver of economic instability at private equity-owned companies. 56% of large corporate bankruptcies in 2024 were found to have connections to private equity, and large amounts of debt contributed to the recent bankruptcies of well-known consumer brands including Claire's and Joann's.

In all likelihood, there will be no escaping a considerable reduction in force at EA come the summer and fall of next year. This will only exacerbate an already dire jobs crisis within the video game industry and the entertainment industry as a whole.

There has also been speculation that there will be an expansion of the most hated aspects of the EA monetization model. A spokesperson for the PESP observed that bringing

the private equity playbook to one of the largest video game studios is the crossover event no one asked for. Gamers are sick of the increasing monetization of their favorite titles. Game developers are railing against already-grueling conditions in the industry. Introducing a rapacious drive for profits and even more emphasis on AI into this equation will satisfy few outside of investors.

EA has come under fire in recent years for its use

of controversial in-game paywalls, loot boxes [online consumables, usually paid for with in-game credits that can be purchased with cash, generally randomized with low odds of receiving the most sought-after items], and other microtransactions. This acquisition could translate into even more live services including subscriptions, microtransactions, and in-game advertising, which already drive a significant proportion of EA's revenue.

EA, in fact, derives more than half its revenue from monetization schemes—over \$4.4 billion in 2024, which is 58 percent of its total revenue of \$7.6 billion.

In one case, involving the *Star Wars Battlefront II* (2017) game, the response to the extensive use of loot boxes saw a boycott, which caused EA's stock to fall by almost 10 percent and game sales to plummet dramatically.

EA has seen several class-action lawsuits filed against it over the years, with courts in a number of countries, notably Canada, Belgium and the Netherlands, finding that the loot boxes were a form of illegal gambling. (The ruling in the Netherlands was overturned on appeal).

The Saudis' deeper involvement in video gaming comes on the heels of the regime's mostly successful efforts to draw in the world's leading comedians to the Riyadh Comedy Festival, running from September 26 to October 9. The festival featured some of the biggest names in the field, including Mo Amer, Aziz Ansari, Wayne Brady, Bill Burr, Jimmy Carr, Dave Chappelle, Louis C.K., Whitney Cummings, Pete Davidson, Kevin Hart, Gabriel Iglesias and Chris Tucker.

Critics contend the festival and its celebrity participants are being used to deflect attention from the Saudi authorities' brutal suppression of free speech and innumerable human rights violations.

The comedy festival brought mostly bad press as a number of comedians, such as Shane Gillis, Atsuko Okatsuka and Stavros Halkias, refused to participate altogether, while others like Nimesh Patel dropped out of the event. Social media posts have called for a boycott of those accepting the invitation to perform in Riyadh.

Amnesty International reports that Saudi Arabia executed 345 people in 2024 (mostly by beheading), the highest figure ever recorded by the organization. The reinstatement of the death penalty for drug offenses helped drive the increase. Saudi authorities carried out 122 executions for drug-related crimes, a sharp rise from just two in 2023. One hundred thirty-eight of those executed in 2024 were foreign nationals. More women were also put to death in 2024 than in previous years, four of them Nigerians. Rigged trials often depend on

"confessions" extracted by torture. The Berlin-based European Saudi Organisation for Human Rights suggests the actual number of executions is much higher.

Then, of course, there is also the infamous murder and dismemberment of *Washington Post* journalist Jamal Khashoggi in 2018.

The move by PIF to further invest in the video game industry is an element of Saudi Arabia's Vision 2030, announced in 2016 as a means of diversifying the country's economy in an effort to reduce the country's dependence on oil. This process has seen the government and PIF invest heavily in construction (NEOM, an \$8.8 trillion futuristic city project), tourism, sports (purchase of Newcastle United, funding of the Saudi Pro League's top teams, World Cup 2034, LIV Golf tour, Formula 1 Grand Prix racing, Dakar Rally, a \$500 million investment in the McLaren Group, boxing, MMA, tennis, cricket and WWE), entertainment, technology and renewable energy.

The Saudi government, with its huge investments in sports in particular, has been accused of "sportswashing," defined by one human rights organization as "the act of sponsoring a sports team or event in order to distract from bad practices elsewhere. This tactic is often used by companies and governments with poor environmental or human rights records, exploiting people's love of sport to 'wash' their image clean."

A 2024 ITV documentary, *Kingdom Uncovered: Inside Saudi Arabia*, presented figures alleging that 21,000 migrant workers from India, Bangladesh and Nepal died on Saudi Vision 2030 projects between 2017 and 2024. It also reported that over 100,000 workers had disappeared. The Saudi government and its National Council for Occupational Safety and Health have denied the claims, calling them "misinformation."

In regard to its effort to reduce the dependence on oil revenue, as of 2022, oil was still responsible for 40 percent of Saudi Arabia's GDP and 75 percent of its fiscal revenue.

The purchase of EA will only see a further escalation of the war being waged on video game workers. The number of jobs in the industry will continue to shrink, quality will go down and prices will continue to rise.



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