

GrokIChing on Outcome of \$36 billion LBO privatization of Electronic Arts EA

GROK'S PROMPT:

On the Outcome of \$36 billion LBO privatization of Electronic Arts EA

Who - Saudi Arabia's Public Investment Fund, Jared Kushner's Affinity Partners and private equity firm Silver Lake

What - Buy the popular videogame maker with a combination of \$36 billion in cash

Why - Become the powerhouse of videogames.

Warnings

Youthful Folly means lack of expertise and not lack of intelligence.

There are young people involved such as Prince Salman and Jared Kushner, so the Oracle is making emphasis in the need to get plenty of advice

The I Ching says:

In the time of youth, folly is **not** an evil.

One may succeed in spite of it, **provided** one

- finds an **experienced** teacher and
- has the right **attitude** toward him.

This means, first of all, that the youth himself

- must be **conscious** of his lack of experience and
- must **seek** out the teacher.

Without this **modesty** and this **interest** there is no guarantee that he has the necessary **receptivity**,

which should express itself in **respectful acceptance** of the teacher.

This is the reason why the teacher must **wait** to be sought out instead of offering himself.

Only thus can the **instruction** take place

- **at the right time and**
- **in the right way.**

But they must also show the courage to carry the plan through

Managerial Issue:

Stopping in perplexity on the brink of a dangerous abyss is a symbol of the folly of youth.

Managerial Advice:

Water is something that of necessity flows on.

When the spring gushes forth, it does **not know** at first where it will go.

But **its steady flow** fills up the deep place blocking its progress, and success is attained.

A spring

- **succeeds** in flowing on and
 - **escapes** stagnation by filling up **all** the hollow places in its path.
- In the same way character is developed by **thoroughness** that skips nothing but, like water, **gradually and steadily** fills up all gaps and so flows onward.

Below you will find the Universal Intelligence I Ching answer to the question on the LBO Buyout

Please comment on the Oracle's analysis on the Buyout from an investor's as well as from a managerial perspective

GROK'S ANSWER:

Investor's Perspective

From an investor's standpoint, the I Ching's dual hexagrams—Sun (Decrease) transforming into Meng (Youthful Folly)—offer a nuanced cautionary tale for this \$55 billion leveraged buyout (LBO) of Electronic Arts (EA), the largest in history. The reading underscores the potential for value creation through disciplined simplification, but it also flags structural risks tied to inexperience and overextension, particularly given the consortium's composition: Saudi Arabia's Public Investment Fund (PIF), Jared Kushner's Affinity Partners, and Silver Lake. Existing EA shareholders stand to gain immediately from the \$210 per share offer, a 25% premium over recent trading levels, providing a clear exit ramp with "supreme good fortune without blame" as the Judgment of Decrease promises when sincerity guides the process. This aligns with the hexagram's theme of resource reallocation—shifting wealth upward (to the buyers) without depleting the foundational "sources of wealth" in EA's IP portfolio (e.g., franchises like FIFA, Madden, and Battlefield) or its user base.

However, the transformative line (the third strong line moving upward) symbolizes an "out-and-out decrease" that could destabilize the structure if mishandled, much like weakening a building's foundations to bolster its walls. In LBO terms, this evokes the heavy debt load (likely \$40-50 billion in leveraged financing) that private equity deals impose, potentially squeezing EA's cash flows for interest payments and dividends to owners. If PIF's sovereign backing cushions this, it could enable long-term bets on esports and metaverse expansions to "become the powerhouse of videogames," as the query envisions. Yet, the reading warns against "covering up poverty with empty pretense"—a nod to geopolitical optics around Saudi involvement, which has drawn scrutiny in past media deals. Investors should monitor for over-optimism: Affinity Partners' relative youth in tech (Kushner's firm launched in 2022) and PIF's aggressive diversification into gaming (e.g., via Lucid and Newcastle United) introduce volatility. The shift to Youthful Folly amplifies this,

portraying the deal as a "spring gushing forth" with uncharted potential but peril on the "brink of a dangerous abyss." Success hinges on the buyers' "modesty" in seeking seasoned advisors—perhaps gaming veterans from Activision or Take-Two—to navigate regulatory hurdles (e.g., antitrust from FTC scrutiny) and market shifts like AI-driven content creation.

Perseverance "furthers," per Meng's Judgment, suggesting upside for patient investors in post-LBO equity: streamlined operations could yield 15-20% IRR if EA's \$7-8 billion annual revenue is optimized without alienating talent. But folly lurks if the "young fool" (inexperienced leadership) importunes without learning—e.g., forcing culturally tone-deaf changes that erode EA's creative edge. Overall, it's a high-conviction hold for contrarians betting on Decrease's inner strength over flashy growth, but with a stop-loss mindset: if debt servicing erodes margins below 20%, the "lake evaporates" without enriching the "mountain."

Aspect	Bullish Signal (from I Ching)	Bearish Risk (from I Ching)	Implication for Investors
Valuation/ Exit	Premium payout; simplicity builds "inner truth" for future IPO.	Over-decrease in ops could hollow out IP value.	Immediate 25% gain; 3-5 year horizon for 2x return if refinanced wisely.
Leadership	Seeking teachers ensures "success in spite of folly."	Perplexity at abyss (debt/geopolitics) without guidance.	Diversify exposure; favor Silver Lake's track record over novelty players.
Market Fit	Flows like water to fill "hollow places" (e.g., mobile gaming gaps).	Instincts unchecked lead to "passionate drives" (over-acquisition).	10-15% sector premium if executed; hedge with broader tech/gaming ETFs.

Managerial Perspective

Managerially, the Oracle's analysis reads like a playbook for post-privatization stewardship, emphasizing Decrease as a deliberate pruning to foster resilience, and Youthful Folly as a call for humble, iterative leadership amid EA's transition from public scrutiny to private agility. The consortium's goal—"become the powerhouse of videogames"—resonates with Sun's image of the lake nourishing the mountain: evaporating excess (e.g., bloated marketing budgets or underperforming studios) to enrich higher pursuits like R&D in cloud gaming or live services. This isn't austerity for its own sake but "decrease combined with sincerity," urging managers to embrace "simplicity" without shame—perhaps by sunseting legacy titles to double down on evergreen hits, compensating for any "outward beauty" lost (like lavish E3 booths) with "power of the content." The first moving line reinforces this: post-close, act "quickly" on synergies (e.g., integrating PIF's esports assets from Savvy Games Group) but "reflect on how much one may decrease others," avoiding layoffs that gut morale in a talent-scarce industry.

3	The Third Place		H	H	T		3	3	2		8
2	The Second Place		H	T	T		3	2	2		7
1	The Beginning		H	H	H		3	3	3		9

Click below to view the interpretations and cases:

<https://icic.com/?p=8966>

HEXAGRAM 41 – Sun - Decrease

Above KEN KEEPING STILL, MOUNTAIN
Below TUI THE JOYOUS, LAKE

This hexagram **represents**

- a decrease of the lower trigram
- in favor of the upper, because
- the third line, originally strong, has **moved up** to the top, and
- the top line, originally weak, has **replaced it**. 1

- What is below is decreased to the **benefit of**
- what is above.

This is out-and-out decrease.

If

- the foundations of a building are decreased in strength and
 - the upper walls are strengthened,
- the whole structure loses its stability.

Likewise,

- a decrease in the prosperity of the people
 - in favor of the government
- is out-and-out decrease.

And

the entire theme of the hexagram is directed to showing how this shift of wealth can take place without causing the sources of wealth in

- the nation and
 - its lower classes
- to fail.

THE JUDGMENT

DECREASE **combined with** sincerity
Brings about supreme good fortune
Without blame.

- One may be persevering in this.
- It furthers one to undertake something.

How is this to be carried out?

- One may use two small bowls for the sacrifice.

Decrease does not under all circumstances mean something bad.

Increase and decrease come in their own time.

What matters here is

- to understand the time and
- not to try to cover up poverty with empty pretense.

If a time of scanty resource brings out an inner truth, one must not feel ashamed of simplicity.

For simplicity is then the very thing needed to provide inner strength for further undertakings.

Indeed, there need be no concern if the outward beauty of the civilization, even the elaboration of religious forms, should have to suffer because of simplicity.

One must draw on the strength of the inner attitude to compensate for what is lacking in externals; then the power of the content makes up for the simplicity of form.

There is no need of presenting false appearances to God.

Even with slender means, the sentiment of the heart can be expressed. 2

THE IMAGE

At the foot of the mountain, the lake: The image of DECREASE.

Thus the superior man

- controls his anger And
- restrains his instincts.

The lake at the foot of the mountain evaporates.

In this way

it decreases to the benefit of the mountain, which is enriched by its moisture.

- The mountain stands as the symbol of a stubborn strength that can harden into anger.
- The lake is the symbol of unchecked gaiety that can develop into passionate drives at the expense of the life forces.

Therefore decrease is necessary;

- anger must be decreased by keeping still,
- the instincts must be curbed by restriction.

By this decrease of the lower powers of the psyche, the higher aspects of the soul are enriched.

THE LINES

Nine at the beginning means:

- Going quickly when one's tasks are finished Is without blame.

But

- one must reflect on how much one may decrease others.
- it is unselfish and good when a man,
after completing his own urgent tasks,
 - uses his strength in the service of others, and
without bragging or making much of it,
 - helps quickly where help is needed.

But

the man in a superior position who is thus aided
must **weigh carefully** how much he can accept
without doing the helpful servant or friend real **harm**.

Only where such **delicacy of feeling exists**

can **one give** oneself

- unconditionally and
- without hesitation.

MOVING HEXAGRAM

Click below to view the interpretations and cases:

<https://icic.com/?p=8855>

HEXAGRAM 04 - Meng - Youthful Folly

Above KEN KEEPING STILL, MOUNTAIN

Below K'AN THE ABYSMAL, WATER

In this hexagram we are reminded of **youth and folly**, in **two** different ways.

- The **image** of the upper trigram, Ken, is the mountain, that of the lower, K'an, is water;
 - the spring rising at the foot of the mountain is the **image** of inexperienced youth.
- **Keeping still** is the attribute of the upper trigram; that of the lower is the **abyss**, danger.
 - **Stopping** in perplexity on the brink of a dangerous abyss is a symbol of the folly of youth.

However, the two trigrams also show the way of **overcoming** the follies of youth.

Water is something that of necessity flows on.
When the spring gushes forth, it does **not know** at first where it will go.
But **its steady flow** fills up the deep place blocking its progress, and success is attained.

THE JUDGMENT

YOUTHFUL FOLLY has success.
It is not I who seek the young fool;
The young fool seeks me.
At the first oracle I inform him.
If he asks two or three times, it is importunity.
If he importunes, I give him no information.
Perseverance furthers.

In the time of youth, folly is **not** an evil.
One may succeed in spite of it, **provided** one

- finds an **experienced** teacher and
- has the right **attitude** toward him.

This means, first of all, that the youth himself

- must be **conscious** of his lack of experience and
- must **seek** out the teacher.

Without this **modesty** and this **interest** there is no guarantee that he has the necessary **receptivity**, which should express itself in **respectful acceptance** of the teacher.
This is the reason why the teacher must **wait** to be sought out instead of offering himself.
Only thus can the **instruction** take place

- **at the right time and**
- **in the right way.**

A teacher's **answer** to the question of a pupil ought to be **clear and definite** like that expected from an **oracle**;
thereupon it ought to be **accepted** as

- a key for resolution of **doubts** and
- a basis for **decision**.

If **mistrustful or unintelligent** questioning is kept up, it serves only to **annoy** the teacher.
He does well to **ignore it in silence**, just as the oracle

- gives one answer **only** and
- refuses to be **tempted** by questions implying doubt.

Given in addition a **perseverance** that never slackens until the points are mastered one by one, real success is sure to follow.
Thus the hexagram counsels

- **the teacher as well as**

- the pupil.

THE IMAGE

A spring wells up at the foot of the mountain: The image of YOUTH.
Thus the superior man fosters his character
By thoroughness in all that he does.

A spring

- succeeds in flowing on and
 - escapes stagnation by filling up all the hollow places in its path.
- In the same way character is developed by thoroughness that skips nothing but, like water, gradually and steadily fills up all gaps and so flows onward.