

Decision on Microsoft-Activision Acquisition from CADE

On October 5, the Superintendence-General of the Brazilian competition authority (SG-CADE) approved the Microsoft-Activision deal without restrictions. While the CADE Tribunal may ask to review the case within 15 days, this decision is aligned with Microsoft's view that the proposed acquisition of Activision Blizzard will not harm consumers or competition. The [public opinion](#) and [decision](#) are both publicly available.

SG-CADE conducted an in-depth review of the markets and the impact of the transaction in Brazil. In a detailed opinion supporting its decision to clear the proposed transaction unconditionally, SG-CADE found:

- **The video-gaming industry is competitive.** Microsoft and Activision are relatively small players in game development and publishing, game distribution via almost all channels, and online advertising and merchandising. Microsoft's Xbox is an important competitor in the console hardware space, but it faces stiff competition from Sony's market-leading PlayStation and from Nintendo's growing presence in Brazil.
- **There is no credible risk that the combination would lead to competition concerns** in any of the markets in which Microsoft and Activision Blizzard compete. The companies' combined shares in these areas of competitive overlap are low (below 20% in all potential segments) and multiple, strong competitors remain active. The combined market shares would not reach the thresholds at which competition concerns could arise in Brazil.
- **No customer or input foreclosure resulting from the acquisition.** In the areas where Microsoft and Activision have complementary capabilities – for example, digital distribution of games for consoles for Microsoft; game publishing for Activision, and publishing games for Activision and in-game advertising for Microsoft – the merged entity would not have the incentive to either: (i) stop making third party game publishers' games available on Xbox; or (ii) stop licensing Activision Blizzard's game content to rival console platforms.

SG-CADE's analysis in Brazil shared a number of positions:

- **Activision Blizzard's game portfolio is strong (in particular, Call of Duty), but there is no evidence that Call of Duty is essential to rival game distributors.** CADE ultimately found *"there is no evidence in the file that the company has market power in the game publishing segment, or that their titles can be considered indispensable for the commercial success of a given console or digital game distribution platform – especially from the perspective of the Brazilian consumer."* Call of Duty is an important franchise but rivals could still compete even without access to it.
- **Microsoft would have clear incentives to continue licensing Activision Blizzard games to third party consoles and other platforms.** In particular: *"CADE believes that the fact that Call of Duty has traditionally been a cross-platform game series has a significant influence on the number of users and the sales performance of the franchise. After all, it is a logical inference that the greater the number of hardware platforms on which a given game is playable, the greater the base of potential users and purchasers of that game. Given this context, it is likely that, at least in the short term, Call of Duty would lose a significant amount of revenue and players if its games were no longer offered to users of the most popular console in the world. In fact, such a hypothetical scenario could not only negatively impact the franchise's numbers, but also favor other multiplatform games similar to Call of Duty that remain on PlayStation, such as competing series as Battlefield (EA) and Tom Clancy's Rainbow Six (Ubisoft)."*
- **Rivals could still compete even without access to Activision's catalog.** SG-CADE mentioned Nintendo Switch as an example of rival console that currently does not have access to Activision Blizzard content in

Brazil (with the exception of a few small titles), but has continued to grow successfully. In summary: *"although it is recognized that an eventual exclusivity over the distribution of Activision Blizzard's content may give Microsoft a competitive advantage, there is no evidence that such an advantage can, by itself, harm the performance of third parties to the point of limit competition in the market for digital distribution of electronic games."*

- **The main objective of CADE is to protect competition in Brazil and the welfare of Brazilian consumers, not the private interests of specific competitors.** SG-CADE concluded that Sony has been the market leader for more than 20 years, has the largest user base and console installed base, has a robust game catalog and partnerships with third-party publishers, in addition to significant brand loyalty. Those attributes would contribute to the competitiveness of the PlayStation after the transaction, even without Activision Blizzard content.