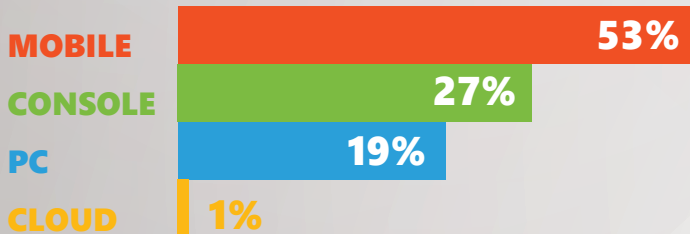


Microsoft-Activision Blizzard Merger: A Quick Overview



The Gaming Market

In 2022, the global gaming market was valued at **\$196.8B**, including mobile gaming (53%), console gaming (27%), PC gaming (19%), and cloud gaming trailing at 1%.



Microsoft's acquisition of Activision: bringing more games to more players

By bolstering Microsoft's offering, the acquisition will enhance competition in mobile and console gaming, two major market segments currently dominated by Apple, Google, Sony, and Nintendo. At the same time, through the acquisition, Microsoft is committed to bringing more games to more players around the world. To achieve this, Microsoft has signed licensing deals with Nintendo, Valve, Nvidia, EE, Ubitus, and Boosteroid to bring Activision Blizzard's popular game catalog, including Call of Duty, to even more gamers.

The global regulatory review process

The merger has received unconditional clearance in 8 countries, including China and Japan, home to the world's biggest gaming companies such as Tencent, Sony and Nintendo. The EU has also given the green light to the merger, albeit with certain conditions.

In total, the merger has gained clearance in 35 countries, representing over 2.3 billion people - nearly one-third of the global population and over 35 times the UK's population. These nations collectively have an accumulated GDP of \$44 trillion, accounting for approximately 45% of global GDP, which is over 14-fold the economic output of the UK. (Source: World Bank)



What others say about the acquisition

Cloud gaming companies, including Nvidia and Boosteroid, the very entities that the UK's Competition and Markets Authority (CMA) claims to protect by prohibiting the merger, have voiced support for the deal. Moreover, of the 2,100 consumer responses the CMA considered, around three quarters were broadly in favour of the acquisition.

In addition, both the European Games Development Federation (EGDF), representing over 2,500 European game studios, and UNI Global Union, the largest labor organization of gaming industry workers in the world, have backed the acquisition.

Comparison: European Commission and CMA decisions



Effects on the console market

While both regulators initially scrutinized the deal's possible effects on the console gaming market, they concluded that Microsoft would not be able to harm rival consoles or reduce competition in the market for the supply of console gaming services.

Potential effects on the cloud gaming market

Both the CMA and the EC expressed concerns related to the cloud gaming market. According to the EU, Microsoft could harm the distribution of games via cloud streaming services and strengthen its PC operating system market position, while, according to the CMA, Microsoft's dominance in cloud could reduce competition in cloud gaming services.

Effects of proposed remedies on the cloud gaming market

According to the Commission, Microsoft's proposed remedies would increase the availability of Activision games for streaming via all cloud game streaming services, ultimately boosting the development of the cloud gaming segment.

The CMA found that the proposed remedies would not "sufficiently cover" different cloud gaming business models or "adequately replace normal market-driven incentives and strategies," while specifically highlighting shortcomings with the proposed behavioral remedies.

Position on the acquisition

The Commission not only found Microsoft's commitments satisfactory to address those concerns but considered them to be beneficial for competition and consumers and ultimately conditionally **cleared** the deal.

The CMA saw no significant benefits from the deal and proposed a **prohibition** on the merger and a partial divestiture of Activision Blizzard.

How did the CMA reach these conclusions?

The CMA's concerns over Microsoft's dominance in cloud gaming are based on the assumption that Microsoft controls a 60-70% market share. However, this estimate conflates game streaming technology with the subscription model, incorrectly assuming that all Game Pass Ultimate subscribers actively use xCloud, when in reality many primarily download games.

What other Regulatory Agencies concluded so far



South Korea: Fair Trade Commission (KFTC)

"The KFTC has reviewed the proposed merger and concluded that it is not likely to substantially restrict competition in the domestic gaming market, and has approved it."

South Korea: Fair Trade Commission, press release, May 30, 2023 [Online translation]



China: State Administration for Market Regulation (SAMR)

"List of cases that were granted unconditional approval: Microsoft Corporation's acquisition of Activision Blizzard."

China: State Administration for Market Regulation, press release, May 30, 2023 [Online translation]



Japan: Fair Trade Commission

"[T]he transaction is unlikely to result in substantially restraining competition in any particular fields of trade. Accordingly, the JFTC has notified the Parties that the JFTC will not issue a cease and desist order, resulting in the completion of its review."

Japan: Fair Trade Commission, press release, March 28, 2023



Brazil: Administrative Council for Economic Defense (CADE)

"Furthermore, it is important to point out that the central objective of Cade's activities is to protect competition as a means of promoting the well-being of the Brazilian consumer, and not to defend the particular interests of specific competitors. [...] In this sense, even if it is recognized that part of the users of PlayStation consoles (from Sony) could decide to migrate to the Xbox in the event that Activision Blizzard games – and especially Call of Duty – become exclusive to the Microsoft ecosystem, SG/Cade does not believe that such a possibility represents, in itself, a risk to competition in the console market as a whole."

Brazil: Administrative Council for Economic Defense (CADE), opinion, October 10, 2022 [Online translation]