

**Brussels Press Conference**

**Brad Smith**

**RE: European Commission Decision for Activision Blizzard**

**Date: Tuesday, February 21, 2023**

**ANNOUNCER:** Please welcome Vice Chair and President of Microsoft, Brad Smith.

**BRAD SMITH:** Hello, everybody. Thank you for joining us this evening.

It's been an important day for us at Microsoft and for our friends at Activision Blizzard here in Brussels. As you all know, there's been an important hearing today before the European Commission. I'm not in a position to describe exactly what was said, but I think I can capture some of what makes today so important.

We started the morning, as you know, with a new announcement. We announced that Microsoft had reached a binding, 10-year, definitive legal agreement with Nintendo, an agreement that builds on the other Xbox games we have been making available, an agreement that obligates Microsoft for the next 10 years to make *Call of Duty* available for Nintendo and its Switch devices. That was how we began the day.

This evening, we have another agreement to announce and, in some ways, I think, perhaps, it might even be a little more important still, because as you know, we had a letter of intent that we announced with Nintendo late last year.

This evening, we're announcing an agreement with Nvidia. Nvidia has people here. We have a press release we'll provide you with as you leave. Their representatives will be in a position to answer questions as well.

Why is Nvidia important? Because, as you've been hearing, this acquisition of Activision Blizzard is not only about bringing *Call of Duty* into the future with console gaming, but it's also about Microsoft's opportunity to help build a better cross-platform future for everyone in gaming.

And Nvidia plays an important role. Nvidia's GeForce Now cloud gaming service already has more than 25 million users. In fact, they already reach Chromebooks; they reach MacBooks. They reach a wide variety of other devices.

And what we have done in this agreement within Nvidia is twofold. First, effective right away, Microsoft will be bringing its Xbox games that play on PCs to Nvidia's GeForce Now cloud streaming service. And, in addition, if this acquisition is approved, we will also bring all of Activision Blizzard's titles, including *Call of Duty*, to GeForce Now as well.

That is significant, because now we're addressing the full range of issues that had been raised by regulators as topics of not just interest, but, in some cases, concern. And I think

it gives us the opportunity to step back, if you will, and look at what this acquisition means for the future of gaming.

For us at Microsoft, this has never been about spending \$69 billion so that we could acquire titles like *Call of Duty* and make them less available to people. That's actually not a great way to turn a \$69 billion asset into something that will become more valuable over time.

To the contrary, since day one, we have been focused on one thing, using this acquisition to bring more games to more people on more platforms and devices than ever before, to bring more competition into gaming than ever before. And so, what we're announcing today is, in fact, true to the roots of the very first day when we announced this acquisition 13 months ago.

As many of you know, it's been 13 fairly eventful months, in terms of the work that we've had to do to talk to people around the world about this deal. And while I'm not in a position to say exactly what was said in the hearing room, I think there are a few facts that are important to recognize.

First, to think about where people stand, as they've set forth their point of view about this deal. The European Game Developer Federation has endorsed this deal. They represent more than 2,000 gaming studios across Europe. This is the voice of Europe's small game studios. And they stand by our side to advance this deal, in part because they, like us, see the future as cross platform.

Second, the voice of employees in UNI, an employment labor organization, has similarly endorsed this deal. They put it in an announcement out as recently as yesterday.

Third, if you look at every agency around the world that has surveyed consumers, consumers have said, by a substantial margin, that they support this deal. If you listen to what Valve, the world's largest game store for PCs, has said, they've said they support this deal. And now, Nvidia says that it supports this deal as well.

And I think we all stand together because we really do see, increasingly, a stark choice for the regulators of the world. It's really a question of whether they want to block this deal, or approve it with a set of guardrails, remedies with conditions. And, as we've said, since the earliest days of this deal, just as we're comfortable, indeed, even eager to enter into private agreements that will have binding legal effect for a decade, we're also more than prepared to address the questions that people may have with regulatory undertakings as well.

But think about the alternative that now exists. On the one hand, regulators can choose, if they want, to try to block the deal, something that the Federal Trade Commission acted late last year to do. But think about the market. Think about the market in Europe. Think about the market that the Federal Trade Commission defined and what it would mean here in Europe. It is a market in which Sony has an 80% share, Xbox has 20% share. Globally, it's about 70/30. In Japan, it's 96 to 4.

And while there are some fluctuations over time, these numbers have been remarkably steady for two decades. Even last year, when Sony suffered constraints in its supply chain and it saw its numbers dip, they came back strong in the fourth quarter as their supply chain recover. By our calculation, on a global basis. Sony outsold Microsoft in the fourth quarter by a margin of 69 to 31, pretty much consistent with the global market shares we've seen for 20 years.

Sony, like the regulators, has an alternative as well. It can either do a deal with Microsoft or argue that this deal should be blocked. We understand, in some ways, it can be tempting when you have an 80% share to just hope that the future never arrives, to hold on as long as possible to a current market share, to hope that that future that, as European game developers have said is cross platform, doesn't come until a later date.

But I don't think that's what regulators are in the business of doing. They're not here to protect super-dominant companies. Believe me, I know. I've come to Brussels, as some of you know, for many years for many hearings, and it never occurred to me to suggest that a company with such a large market share needed to be protected by smaller firms in a market, as they sought to grow and innovate.

But think about this market that exists today. It has about 120 million consoles, PlayStation and Xbox combined. And now, think about what we did today, between this morning and this evening. Between Nintendo and Nvidia, we are bringing *Call of Duty* to 150 million more people, to 150 million devices that don't have access to *Call of Duty* today. That is a future where competition flourishes, where innovation moves forward.

One of the things that we recognize here in Brussels is the importance of the European Commission. As some of you know, I've been coming here for, frankly, more years and decades than I probably even care to admit. I've come to many hearings in the building across the street.

And, as we think about this acquisition, I think it calls for the leadership by the European Commission akin to the kinds of technology leadership that commission has shown in so many years, across so many decades, for so many parts of the technology sector. I remember when I first started coming here in 1989, it was just five years after the commission had entered into an undertaking with IBM, an undertaking that opened up the mainframe market for computers. That was followed, as you all know, by a focus, beginning in the 1990s, on a new generation of technology, the PC and Windows, among other things.

For Microsoft, one of the most important days in our history, from a competition law perspective, was the 16<sup>th</sup> of December 2009. That was the day that we entered into an undertaking with the European Commission, an undertaking that is still in force today, an undertaking that ensures that we provide access to competitors for interoperability information that includes file formats and protocol documents across a wide range of our products.

That undertaking is far less complicated in our – is far more complicated, sorry. That undertaking is far more complicated than anything that the commission is likely to need

to consider here. And yet you probably haven't written about it in a decade, because there's been no controversy. And yet it changed the course of technology history. If you want to write a document in Microsoft Word and edit it in Google Docs, you can, no matter where you are in the world, because of that undertaking.

And, similarly, on the 6<sup>th</sup> of December 2016, the European Commission approved our acquisition of LinkedIn with similar access requirements, requirements that obligated us, for example, to enable LinkedIn competitors to access Microsoft Office on terms comparable to LinkedIn itself.

At Microsoft, we have deep and long experience in complying well with the kinds of remedies that makes sense in this case, the kinds of remedies that will ensure that *Call of Duty* remains available on other consoles, the kind of remedy that will ensure that *Call of Duty* and other games remain available in the cloud, and even on alternative operating systems like Chrome OS and for Chromebooks. We came to Brussels more than prepared to roll up our sleeves and make that kind of solution work, because we know that that's what it will take to grow this market further.

We haven't yet reached an agreement with Sony; I hope we will. I walk around with an envelope that contains the definitive agreement that we sent to Sony two days before Christmas. I'm ready to sign it at any time. And if Sony doesn't like the words, we're ready to sit down and pull out a pen, or a version of Microsoft Word, and its cut and paste features. (Laughter.)

We know that the advances in everything in life require dialogue. We're committed to that. We're committed to that with the European Commission. We're committed to that with other regulators around the world. We're committed to that with other companies in our industry. We're committed to that with Sony itself. And I hope and believe that this is a day, like many other days that I've spent in Brussels, that will advance our industry and regulation in a responsible way.

Thank you.

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