Microsoft closes deal to buy Call of Duty maker Activision Blizzard after antitrust fights

October 13 2023, by KELVIN CHAN and MATT O'BRIEN

The logo for Microsoft, and a scene from Activision "Call of Duty - Modern Warfare," are shown in this photo, in New York, June 21, 2023. Microsoft’s purchase of video game maker Activision Blizzard won final approval Friday, Oct. 13, from Britain’s competition watchdog, reversing its earlier decision to block the $69 billion deal and removing a last obstacle for one of the largest tech transactions in history. Credit: AP Photo/Richard Drew, File
Microsoft completed its purchase of video game-maker Activision Blizzard for $69 billion on Friday, closing one of the most expensive tech acquisitions in history that could have repercussions across the video game industry.

The notice that the deal has gone through came seven hours after Microsoft got final approval from Britain's competition watchdog, which reversed its earlier decision to block the merger, removing the last obstacle for the transaction.

Taking over the studios behind blockbuster games like Call of Duty, Diablo and Overwatch will be a boost for Microsoft's Xbox gaming console, which ranks third in sales behind Sony's PlayStation and Nintendo. The software giant also has bigger ambitions to fold Activision titles into its multi-game subscription service that works something like a Netflix for video games.

The nearly 22 months it took to close the deal reflected concerns from rivals and government regulators that Microsoft could use its growing collection of games to stifle competition. It's part of a broader industry consolidation that also has some independent game developers worried they'll get sidelined as the industry allocates its resources toward blockbuster franchises with a history of past success.

It still faces opposition from the U.S. Federal Trade Commission, which has argued that Microsoft could use the consolidation of a major game publisher to create "walled gardens" around its Xbox Game Pass subscription service and the emerging business of streaming games on demand. But after losing a court fight to pause the merger, FTC antitrust enforcers must now undertake a difficult battle to try to unwind it.

"The FTC continues to believe this deal is a threat to competition," said FTC spokesperson Victoria Graham on Friday.
Microsoft has long defended the deal as good for gaming, saying its goal was to get Activision games to more people on more platforms rather than trying to deprive those games from rival console-makers.

"Whether you play on Xbox, PlayStation, Nintendo, PC or mobile, you are welcome here—and will remain welcome, even if Xbox isn't where you play your favorite franchise," said a statement Friday from Phil Spencer, CEO of Microsoft's Xbox division.

He shared a video celebrating the merger, featuring scenes from games to the tune of "Oh, What A Beautiful Mornin'" from the Broadway musical "Oklahoma!"

The blessing from the U.K.'s Competition and Markets Authority was expected after it gave preliminary approval last month to a revamped Microsoft proposal meant to address concerns that the deal would harm competition and hurt gamers, especially in the emerging cloud gaming market where players can avoid buying pricey consoles and stream games to their tablets or phones.

"The new deal will stop Microsoft from locking up competition in cloud gaming as this market takes off, preserving competitive prices and services for U.K. cloud gaming customers," the watchdog said.

However, it also tilts the "balance of power significantly" in favor of Microsoft, whose Xbox console has lagged behind PlayStation and Nintendo, said George Jijiashvili, senior principal analyst at tech research and advisory firm Omdia.

Microsoft "now has a big opportunity to dictate the future of the games industry," he said.

Since the deal was announced in January 2022, Microsoft has secured
approvals from antitrust authorities covering more than 40 countries. Crucially, it got a thumbs-up from the 27-nation European Union after agreeing to allow users and cloud gaming platforms to stream its titles without paying royalties for 10 years.

The deal faced its strongest resistance from British and American regulators. Sony also feared it would limit PlayStation gamers' access to Call of Duty, Activision's long-running military shooter series.

The FTC over the summer lost a court bid to pause the deal so that its in-house judge could review it. The FTC hasn't given up, appealing the decision and last month filing notice of its plan to resume that trial.

To get the U.K.'s approval, Microsoft will sell off European cloud streaming rights for all current and new Activision games released over the next 15 years to French game studio Ubisoft Entertainment.

But the regulator still criticized how the agreement came together and warned other companies not to use Microsoft's tactics to "insist on a package of measures that we told them simply wouldn't work."

The U.K. regulator "deserves credit for imposing a structural remedy on Microsoft that is significantly stronger than the weak commitments accepted by the European Commission," said Max von Thun, director of the Europe office of the Open Markets Institute, a proponent of stronger antitrust enforcement.

But the flip-flopping makes the U.K. regulator look "weak and indecisive," he said.

Up until now, computer-maker Dell held the record for the priciest tech deal after it bought data-storage company EMC in 2016 for around $60 billion. Microsoft's own biggest deal was its $26 billion acquisition of
professional-networking service LinkedIn around the same time.

Microsoft valued the Activision deal at $68.7 billion when it was first announced, "inclusive of Activision Blizzard's net cash," though Microsoft agreed to pay $95 in cash for each share of the game-maker, closer to $75 billion.

Started in 1979 by former Atari Inc. employees, Activision has created or acquired many of the most popular video games, from Pitfall in the 1980s to Guitar Hero and the World of Warcraft franchise. One of Activision's key assets for Microsoft was its King studio, maker of popular mobile games such as Candy Crush Saga.

Bobby Kotick has been CEO since 1991, after working with a business partner to buy it from bankruptcy.

Kotick signaled his coming departure Friday, saying he is "fully committed to helping with the transition" through the end of 2023 and will, until then, remain as CEO of what's now a Microsoft subsidiary.

"Combining with Microsoft will bring new resources and new opportunities to our extraordinary teams worldwide," Kotick wrote in a letter to employees.

He is now reporting to Spencer, who has led Microsoft's Xbox division since 2014.

While Sony's PlayStation remains the industry leader, Microsoft in recent years has been scooping up game studios in an effort to drive more gamers to Xbox. Last year, it spent $7.5 billion to acquire ZeniMax Media, the parent company of video game publisher Bethesda Softworks, maker of Elder Scrolls, Fallout and the recently-released Starfield. One of Microsoft's most popular games, Minecraft, came from
its $2.5 billion acquisition of Swedish developer Mojang in 2014.

Rivals have also bought their way to bigger game collections, with Sony venturing near Microsoft's headquarters to buy Bellevue, Washington-based independent game publisher Bungie Inc. for $3.6 billion last year.

© 2023 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Microsoft closes deal to buy Call of Duty maker Activision Blizzard after antitrust fights (2023, October 13) retrieved 14 October 2023 from https://techxplore.com/news/2023-10-microsoft-activision-uk-hurdle-gaming.html

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.