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Microsoft and Activision Blizzard merger sets the stage for a mobile game advertising giant

Article

The news: **Microsoft**'s $69 billion acquisition of **Activision Blizzard** is now finalized after receiving approval from the UK's **Competition and Markets Authority** last week, making it the highest-value tech merger in history.

Immediate effect: The merger will make Microsoft the "third largest gaming company by revenue, behind **Sony and Tencent**," the company said when it announced the deal in 2022.

- Activision Blizzard titles will make their way to Microsoft's gaming subscription platform **Game Pass** in the coming months, the company said, bolstering the service with some of the world's most popular games like **World of Warcraft** and **Call of Duty**.
- Those additions could bolster what may be slow growth for the service: Xbox last announced Game Pass had hit 25 million subscribers in January 2022, but documents accidentally leaked by Microsoft revealed that **Xbox** chief **Phil Spencer** told FTC investigators that the service's subscription count had barely moved by October 2022.
- The acquisition also puts mobile game company and Activision subsidiary **King** under Microsoft's ownership. King is the creator of popular mobile games like **Candy Crush Saga** and will generate **$433.1 million in US ad revenues this year**, per our forecast.

The long game: Microsoft's acquisition is about more than just a short-term boost. It secures Microsoft's future as a leader of the gaming industry and gives it a strong foothold in fast-growing markets.

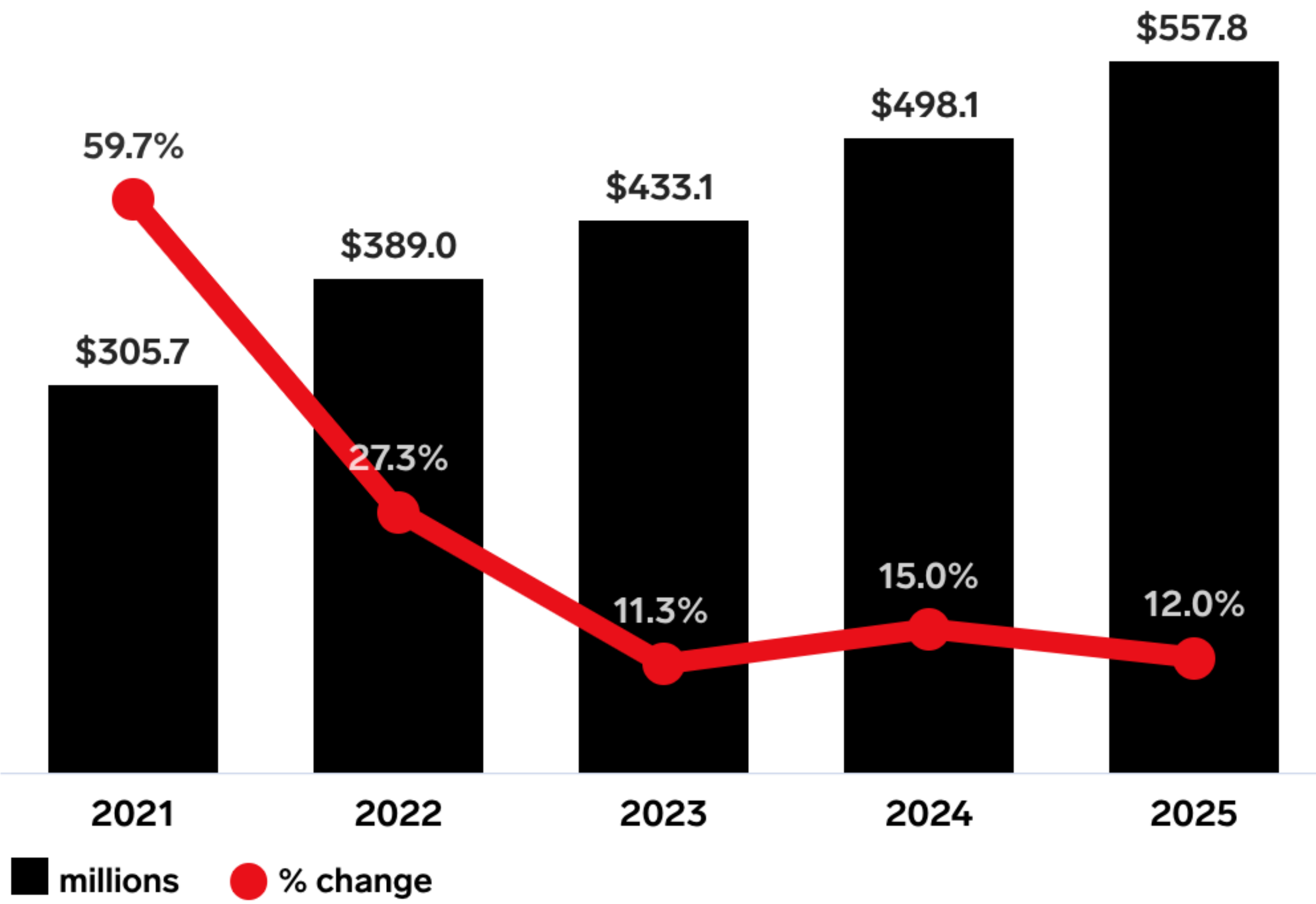
- US mobile game ad spending is expected to reach **$6.67 billion** this year, per our forecast, and Activision has been preparing for a more aggressive push into the market. Earlier this month, it announced a new suite of ad measurement tools to increase advertiser faith in the lucrative but sometimes notoriously low-quality ad format.
- The leaked documents mentioned above also laid out Microsoft's plans for in-game advertising. The company expects to make $1.4 billion from in-game advertising by 2030. A large chunk of that will likely come from mobile gaming, but Microsoft is also quietly working on an ad tech stack for console and PC games.
- In order to close the deal, Microsoft had to make concessions, giving French publisher **Ubisoft** the cloud gaming rights to Activision games made during the next 15 years. But in the meantime, Microsoft is free to pursue cloud gaming tech for the games made by its many other subsidiary studios.

Our take: Beyond its console and PC gaming implications, the Activision Blizzard acquisition will help make Microsoft a giant of the mobile game industry, where ad revenues and consumer spending are both expected to surge.

- While Game Pass has been an industry disruptor and prompted changes from rivals like **PlayStation**, its stunted growth will likely be remedied somewhat by the addition of Activision titles.

King Mobile Game Ad Revenues

US, 2021-2025



Note: excludes advertising on esports or gaming video content; includes advertisements placed within games on mobile platforms
Source: Insider Intelligence | eMarketer, March 2023

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