

UK regulator rejects Microsoft's Activision Blizzard deal

Article

The news: The UK's **Competition and Markets Authority (CMA)** is blocking **Microsoft's** blockbuster **\$68.7 billion** acquisition of gaming giant **Activision Blizzard**.

- The deal is being blocked on the grounds that **creating a gaming monolith would smother competition in cloud gaming**. Activision Blizzard owns games such as **Call of Duty, Candy**

Crush, World of Warcraft, Overwatch, and Diablo.

- Activision Blizzard's stock [tumbled 10% Wednesday](#) as a result of the news.
- The CMA said Microsoft's proposed remedies to address its concerns were inadequate and ineffective.
- "This decision appears to reflect a flawed understanding of the market and the way the relevant cloud technology actually works," Microsoft president **Brad Smith** said.

Zooming in: 40% of 300 game developers surveyed said cloud gaming will grow the most of any gaming platform by 2025, according to [Perforce Software](#). Twenty-four percent said mobile will grow the most.

- Microsoft is a dominant player in this market with its **Xbox Cloud Gaming** service, which has a **global market share of 60% to 70%**, according to the CMA.
- "Cloud gaming needs a free, competitive market to drive innovation and choice. That is best achieved by allowing the current competitive dynamics in cloud gaming to continue to do their job," said **Martin Coleman**, who investigated the merger for the regulator.

What's next: Microsoft and Activision Blizzard said they would appeal to the **UK Competition Appeals Tribunal**. They argued that the CMA misunderstood the market and the technology involved in cloud gaming.

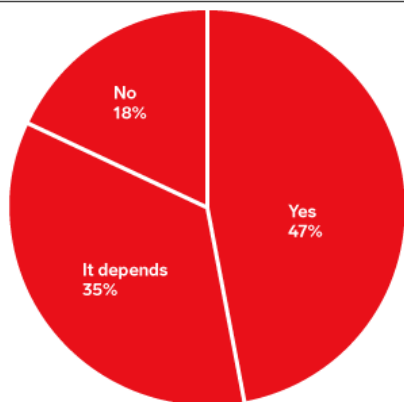
Our take: Microsoft's challenge of the decision might not succeed against the antitrust watchdog, and other regulators could follow suit.

- [The deal was cleared by the European Union](#) but could be further challenged by the US **Federal Trade Commission (FTC)**.

The latter will be particularly challenging since the FTC under chair **Lina Khan** seems to have made Microsoft and [this particular acquisition a primary target](#) for its first big antitrust win

US Gamers Who Would Skip Buying a Console if They Could Reliably Stream New Games in the Cloud, March 2022

% of respondents



Note: ages 18+; all respondents reported gaming at least once a week
Source: Amdocs, "The New Gamer Report," April 12, 2022

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