

Research on the Impact of Microsoft's Acquisition of Blizzard

Zhangzhuo Lin^{1,a,*}

¹*Ningbo Hanvos Kent school, Ningbo, 999001, China*

a. ynl19831202@163.com

**corresponding author*

Abstract: On October 13, 2023, the largest acquisition in the global game field took place, Microsoft completed the acquisition of Blizzard with about \$69 billion, the acquisition as early as January 2022, and Microsoft announced its first plan to acquire Blizzard. After 22 months, the deal is finally over. The path to the acquisition has been bumpy, but the huge revenue generated by the acquisition is enough for Microsoft to ignore the arduous 22-month journey. Blizzard's annual revenue has been steadily rising with its love for games. However, because Blizzard can only make achievements in games, it also limits Blizzard to make important breakthroughs in turnover. At the same time, Blizzard faces challenges from many other companies. Because of the limitations of Blizzard in the field, there is not much breakthrough, many important company employees have left the company, and Blizzard is also facing serious problems. However, in Microsoft's acquisition of Blizzard, this article will analyse the impact of this deal on Blizzard after this deal. According to the data studied, what Activision Blizzard needs at present is a new platform for them to release their games and expand their business scope, to ensure that old users do not leave, and to introduce new users to increase the total revenue and net profit. Therefore, Microsoft's acquisition of Blizzard is a new opportunity for Activision Blizzard, because Microsoft provides a new platform on which Activision Blizzard can develop, so that both parties can benefit.

Keywords: high acquisition, digital game, acquisition impact, commercial value

1. Introduction

On October 13, 2023, Microsoft acquired Blizzard for approximately \$69 billion, according to statistics, it is the largest acquisition in the history of gaming. On July 19 this year, according to the financial report of the second quarter of 2023 released by Activision Blizzard as of June 30, the total revenue of Activision Blizzard in the second quarter of the 2023 fiscal year was 2.21 billion US dollars, an increase of 34%, and the net profit was 587 million US dollars, an increase of 109.6%. It can be seen that the transaction of Microsoft's acquisition of Blizzard has indeed brought benefits to Blizzard, but it is believed to meet market expectations [1].

Activision Blizzard is made up of several major well-known game companies, the most important of which are Activision, King and Blizzard, three very well-known game companies. These companies constitute the main source of income in Activision Blizzard, of which Activision's well-known game "Call of Duty series" can be said to be the leader in the fps game industry, this series with a new game every year as Activision Blizzard has created a unique field in the game industry. In this article, the purpose of studying the acquisition of Activision Blizzard by Microsoft is to find

out the reasons, what led to the occurrence of this event, and the impact on both parties after the occurrence of this event, whether it is good or bad for Activision Blizzard, and whether it brings higher profits to Microsoft [2]. This analysis will also observe the data more directly, and analyze the data to find out the advantages and disadvantages.

2. Activision Blizzard's Status Before the Deal

Before this large-scale transaction occurred, Activision Blizzard's annual financial data was not very stable, and it was always in a state of up-and-down. In 2019, Activision Blizzard's financial data show that Activision Blizzard's revenue was \$6.468 billion, lower than \$7.5 billion in 2018, and in the fourth quarter of the financial data, compared with the same period in 2018, the foot is also \$1.986 billion lower than the same period of \$1.986 billion, down 17%. After that, the financial data for 2020 and 2021 are all showing an increasing trend. In particular, in the 2021 financial report, Activision Blizzard increased by \$800 million over the fiscal year 2020, which also set a record for Activision Blizzard growth. However, in the 2022 fiscal year report, Activision Blizzard's revenue fell by 14.5% year-on-year in the entire 2022 fiscal year, and its net profit of \$1.5 billion plunged 43.9% year-on-year. Take 2021's full-year financial results as an example, in which Activision's Call of Duty series brings huge revenue to Activision Blizzard. Due to the strong full-year net revenue growth of Call of Duty Mobile games, global players will spend more than \$1 billion on the game in 2021 [3].

It can be seen that Activision Blizzard's financial data is very impressive before 2022, but during this period of 2022, Activision Blizzard's financial data has declined in segments, and the data shows that Activision's "Call of Duty series" has excellent performance. This phenomenon occurred because in 2022, Activision Blizzard and NetEase, which had cooperated for a long time before, ended the cooperation relationship, which resulted in the termination of many Activision Blizzard games that will no longer be on the national service. The significant loss of domestic players has led to Activision Blizzard's revenue in 2022 is not optimistic [4].

3. The Problems Faced by Activision Blizzard

There is no denying that Activision Blizzard's earnings numbers look very optimistic, but the reality is that Activision Blizzard is facing several serious problems. One of the most intuitive is the sharp decline in the company's total revenue and net income, coupled with the departure of several important core members within the company, which has led to Activision Blizzard's difficulty in making greater achievements in the game field.

Although Activision Blizzard has "Call of Duty" as a big IP to them, because of the recent decline in the "Call of Duty" series, the revenue of this series is inevitably invincible with the previous series. And because of the end of the cooperation relationship with NetEase in 2022, the loss of replies from Chinese players has also caused a heavy blow to Activision Blizzard's total revenue. In other words, to solve this problem, Activision Blizzard needs to re-establish partnerships with Chinese companies and bring Chinese players back. But that's not going to happen anytime soon, so Activision Blizzard is in desperate need of a way to help them out. As a result, the option of Microsoft's acquisition of Blizzard appeared in front of them, Activision Blizzard also accepted the deal, and the game fashion was born in a large-scale transaction [5].

4. Microsoft and Activision Blizzard after the Activision Blizzard Acquisition

After the end of this deal, it is undoubtedly a great help to Activision Blizzard, because it enables them to re-enter the public's vision of classic IP sequents like "Starcraft" and "Heroes of the Storm" even if many core members are sane, providing Activision Blizzard with more opportunities to create more high-quality works. To help them increase their companies' revenues.

In China, because the cooperation between Activision Blizzard and NetEase stopped, many Chinese players strongly appealed to Microsoft to bring Activision Blizzard's games back to China, Microsoft also responded that "Activision Blizzard's games are very possible to return to the vision of Chinese players, but there are still some problems to be solved." It can be seen that this is not only a glimmer of hope for Chinese players, but also for Activision Blizzard, the company can re-introduce Chinese players and increase revenue.

On October 25, following Microsoft's acquisition of Activision Blizzard, Microsoft released its financial results for the first quarter of fiscal year 2024. It counted revenue of \$56.5 billion, up 13% from a year earlier, and net profit of \$22.3 billion, up 27%. Microsoft Chief Financial Officer Amy Hood expects revenue growth of around 40%, Activision Blizzard will bring about 35% growth, and thanks to Blizzard, Xbox content and services revenue is also expected to grow about 50% [6].

Activision Blizzard's focus on PC gaming has left the company with less room to grow. After Microsoft acquired Activision Blizzard, it provided additional platforms for Activision Blizzard to sell games and expanded the scope of opportunities. Satya Nadella also said that he is very excited about the acquisition of Activision Blizzard, which will allow us to bring games to a larger audience and bring great games to players around the world, on any endpoint.

5. Analysis of Activision Blizzard Inc

Activision Blizzard is Activision Blizzard Inc., which changed its name to Activision Blizzard Inc. after merging with Vivendi Games in 2007. Activision Blizzard is a company focused on PC video games. Activision Blizzard mainly continues the model of Activision, such as the Call of Duty series, Guitar Hero series and other games developed by Activision [7]. When the merger between Vivendi Games and Activision was announced, there was a lot of concern about whether Blizzard would fall under the influence of Activision management, but the reality is that Blizzard Entertainment continues to operate as a separate division. The main divisions of Activision Blizzard are Activision, Blizzard Entertainment and King. Among them, Activision's representative works are the Call of Duty series, the Snuff Series, the Doom Series, and so on; Blizzard Entertainment's most famous titles are the Warcraft series, the Diablo Series, and so on. King is best known for Candy Crush Saga [8].

Activision Blizzard's board of directors, Bobby Kotick, became arrogant and outspoken after the merger with Blizzard, thus angering many game industry heavy-hitters and companies, resulting in the company's slide to the world's second-largest video game provider [9]. Besides, Bobby Kotick's attitude did not change significantly after that, which was also a reason for the decline of Activision Blizzard in the future, because many key figures of Activision Blizzard were dissatisfied with Bobby Kotick, but Bobby Kotick was slow to make changes. This led to the departure of many key employees [10].

For Activision Blizzard, relying on the previous well-known games can make them a huge stream of revenue, but the market is changing all the time, Activision Blizzard has been unable to make innovations and other competitors of the same type appear, which has created the crisis that Activision Blizzard is facing.

6. Conclusion

Activision Blizzard in the past, from the annual report of Activision Blizzard, it is not difficult to see that Activision Blizzard in the field of video game development is very successful, this success not only created the company's huge revenue but also created the company's internal arrogance, resulting in the company's revenue gradually decline. It is not difficult to see that Activision Blizzard has been trying to make innovations in this field, but in consecutive years, during this period, Activision Blizzard still relies on the previous well-known series to reap huge profits.

Even so, Activision Blizzard also brings a variety of different types of games and has a very solid foundation, there are many classic games under Activision Blizzard because Microsoft also took a fancy to Activision Blizzard. Microsoft can acquire Activision Blizzard to restart many of Activision Blizzard's once very famous games, but now almost abandoned by Activision Blizzard's game series, this behavior can not only bring huge benefits to Activision Blizzard but also indirectly contribute to Microsoft.

The new platform brought by Microsoft for Activision Blizzard also provides Activision Blizzard with more opportunities to develop or strengthen its fields of expertise, spread the advantages of Activision Blizzard in a larger scope, and attract more players to enter this platform, which not only benefits Microsoft but also brings more players to Activision Blizzard.

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