

# Research on the Effectiveness of Microsoft's Acquisition of Activision Blizzard

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**Abstract.** In January 2022, Microsoft announced the acquisition of Activision Blizzard Inc. This article mainly explores the performance changes of this merger and acquisition, as well as the impact and inspiration of the merger on the enterprise. Firstly, this article introduces the basic information of both parties involved in the merger and acquisition, as well as their situation in the gaming industry. Secondly, the merger process is introduced through the selection of merger targets and changes in merger performance. Finally, this article summarizes the potential impact of this merger on the gaming industry and the insights it brings to other companies. The results indicate that this acquisition not only strengthens Microsoft's competitiveness in the gaming industry, but also brings new opportunities for Activision Blizzard, which has important reference value. Furthermore, companies expanding globally must adapt IP content to local cultural and market contexts to optimize user satisfaction and drive international growth.

## 1 Introduction

Through the acquisition of Activision Blizzard, Microsoft has consolidated its position in the gaming industry and injected new development momentum into Activision Blizzard. However, such a large-scale merger and acquisition transaction is also accompanied by multiple issues such as financial risks, integration challenges, and regulatory scrutiny. The significance of this study lies in providing practical references for the financial analysis and value evaluation of large-scale M&A transactions for the business and research communities through in-depth analysis of the typical case of Microsoft's acquisition of Activision Blizzard [1]. After this merger, it may accelerate the wave of mergers and acquisitions, which may cause greater pressure on small developers in market competition due to large-scale mergers and acquisitions in the gaming industry and may also give rise to more innovative independent game content [2].

## 2 Case introduction

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## **2.1 Acquirer - microsoft**

Microsoft is an American multinational technology company founded by Bill Gates and Paul Allen on April 4, 1975 in Albuquerque, New Mexico, USA. Before acquiring Blizzard, Microsoft mainly held a position in the console market through Xbox, and also owned multiple well-known studios such as Halo, Gears of War, Minecraft, etc. Microsoft will generate approximately \$16.2 billion in revenue through Xbox in 2022, with over 25 million Xbox Game Pass subscribers, second only to Tencent and Sony in terms of market position.

## **2.2 Acquired party - activision blizzard**

Activision Blizzard (NASDAQ: ATVI) is an American video game developer, publisher, and distributor that was renamed in 2008 after Activision merged with Vivendi Games. Activision Blizzard mainly continues Activision's model, such as the Call of Duty series, Guitar Hero series and other game masterpieces developed by Activision. Blizzard faced controversy over declining game quality, slow updates to its core IP, involvement of its management in sexual harassment scandals, and pressure from declining financial revenue year by year before being acquired. Despite facing many challenges before being acquired by Microsoft, Activision Blizzard remains one of the world's largest game developers and publishers, particularly with a high position in the PC and console gaming industry.

## **2.3 Analysis of M&A motivation**

### *2.3.1 Improve financial returns in the gaming industry*

During the pandemic, the demand for games increased significantly, and Microsoft's overall performance in the gaming industry remained stable but needed an opportunity to break through. Before being acquired by Microsoft, Blizzard earned revenue from the sales of globally renowned IP games such as World of Warcraft, Diablo, and Overwatch, but relied heavily on game series such as Call of Duty. After the acquisition, Blizzard's game sales, subscription revenue, and other gaming transactions provided Microsoft with diversified sources of revenue and long-term profitability [3].

### *2.3.2 Dealing with the fierce competition in the gaming market*

Before acquiring Blizzard, Tencent, Sony, and Nintendo consistently ranked in the top three of the world's top ten gaming rankings, while Microsoft and Activision Blizzard ranked fourth and fifth, respectively. As the fourth ranked company, Microsoft has always had obvious shortcomings in game social content, which has constrained its performance in the gaming market. In terms of exclusive content on the platform, compared to Sony and Nintendo, Microsoft seems relatively inadequate, which has also had a significant impact on Microsoft's console sales. Meanwhile, Blizzard, while strong on the PC platform, struggled to penetrate the mobile gaming space - an increasingly critical segment in the gaming industry. These complementary deficiencies contributed to a shared strategic rationale for the merger. Following the acquisition, Microsoft leveraged synergies by integrating Blizzard's IW engine and toolchains into Azure's gaming development services, and enhanced security across its Xbox ecosystem through Blizzard's Ricochet anti-cheat system and Azure security tools [4].

## 3 Merger and acquisition process

### 3.1 Selection of merger and acquisition targets

Prior to acquiring Blizzard, Microsoft had been unable to surpass Nintendo, Sony, and Tencent in the gaming industry, consistently ranking fourth on the global top ten gaming rankings. As the fifth ranked company, Blizzard has a highly overlapping user base, and acquiring Blizzard would enable Microsoft to have a large number of precise users, providing a huge and solid user base. In terms of strategic extension, Blizzard has well-known game IPs such as World of Warcraft, Diablo, and Call of Duty series. After Microsoft's acquisition, these well-known IPs can be extended in multiple dimensions to bring new growth curves, broaden its business boundaries, and provide more strategic choices.

On January 18, 2022, Microsoft formally announced the acquisition of Blizzard at \$95 per share. Given the transaction's magnitude and transnational implications, regulatory authorities such as the U.S. Federal Trade Commission, the European Commission, and the UK's Competition and Markets Authority initiated antitrust investigations. In response, Microsoft made substantial commitments, including ensuring multi-platform accessibility and divesting certain cloud gaming rights to address regulatory concerns. Post-merger, Microsoft adopted a hybrid integration strategy: while preserving Blizzard's operational independence, it incorporated the company into the Xbox business unit, promoted the use of Azure cloud services and AI tools to optimize development and operations, implemented inclusive policies, and removed executives involved in misconduct scandals to ensure ethical governance and operational stability [5].

### 3.2 Performance analysis of mergers and acquisitions

#### 3.2.1 Profitability analysis

This study mainly selected three indicators to analyze Microsoft's profitability before and after the acquisition of Blizzard, as shown in Table 1.

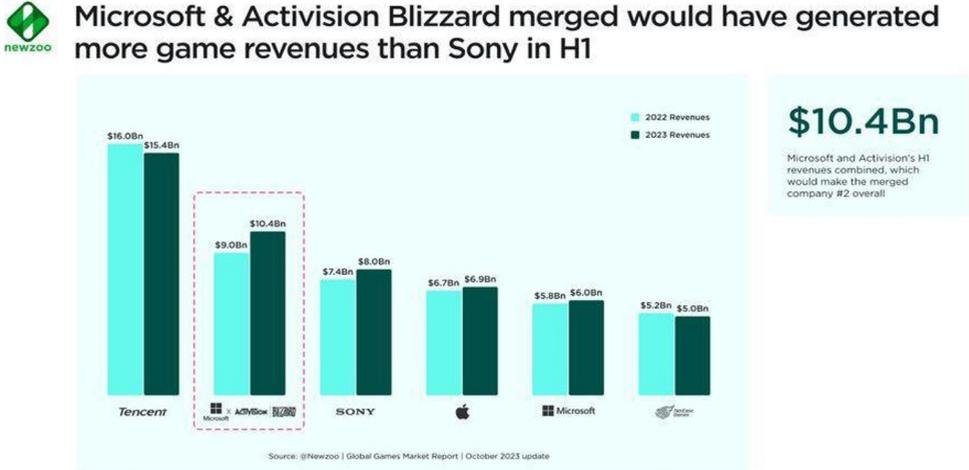
**Table 1.** Profitability Analysis

Xbox Content and Services	2021	2022	2023	2024
Percentage change Y/Y (GAAP)	(4)%	(6)%	5%	61%
The impact of Constant Currency	(3)%	2%	1%	0
Percentage change Y/Y (non GAAP) fixed exchange rate	(7)%	(4)%	6%	61%

After Microsoft acquired Blizzard in 2024, the gaming industry made significant progress and development. In Microsoft's Q4 fiscal year 2024 financial report, the gaming business performed well, with overall revenue increasing by 44%, while Blizzard alone contributed a net impact of 48 points to this increase [6]. The net impact of these 48 points turned Microsoft, which was supposed to see a 4% decline in total gaming revenue in the fourth quarter, from negative to positive, resulting in a 44% increase. Compared to the gap between Microsoft's gaming revenue before acquiring Blizzard and the other two gaming giants, Nintendo and Sony, Blizzard's entry has had an immediate effect on Microsoft's competitiveness in the gaming industry. On November 19, 2023, analytics firm Newzoo released its global gaming industry report for the first half of 2023, predicting that the gaming industry revenue for the full fiscal year 2023 will reach \$184 billion and grow to

\$205.7 billion by 2026 [7]. The report points out that according to the company, Tencent maintains a leading position in service games on all platforms, with Sony and Apple ranking second and third respectively, and Microsoft ranking fourth. However, due to Microsoft's acquisition of Activision Blizzard taking 18 months until its final completion in October this year, the agency analyzed that if the revenues of the two companies were combined (see figure 1).

**Microsoft & Activision Blizzard merged would have generated more game revenues than Sony in H1**

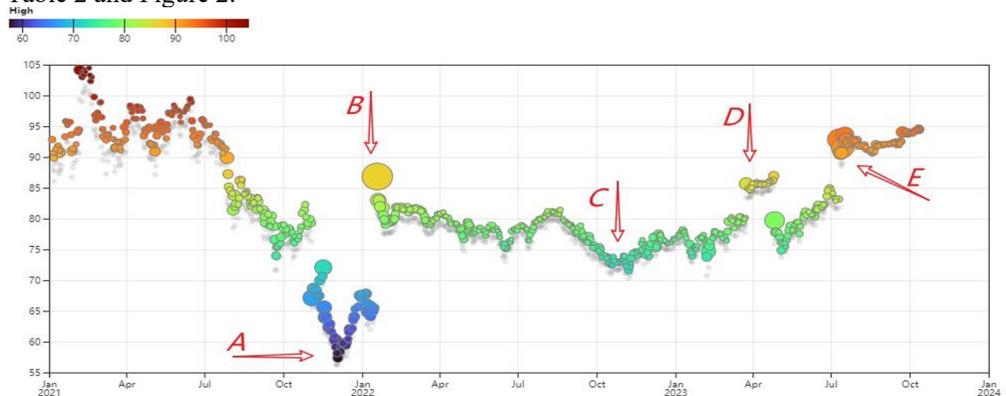


**Fig. 1. Global Game Industry Report**

Data shows that adding the revenue of Microsoft and Activision Blizzard, Microsoft will replace Sony PlayStation as the second largest gaming company for the first time in gaming history. Microsoft hopes to emulate Tencent in producing cross platform service games, rather than adopting a more traditional closed game console ecosystem like PlayStation and Nintendo. Microsoft revealed that due to the merger of revenue streams, it is expected that gaming revenue will increase by nearly 50% in the next quarter [8].

**3.2.2 Stock price analysis**

This study mainly selected 5 key nodes for analyzing Blizzard's stock price, as shown in Table 2 and Figure 2.



**Fig 2. Analysis of Stock Prices**

**Table 2.** Financial Status of Blizzard before Acquisition

Indicator	2020	2021	2022
Total revenue	\$8.09 billion	\$8.8 billion	\$7.53 billion
Net profit	\$22.0 billion	\$2.7 billion	\$1.51 billion
Gross Profit Margin	70%	72%	68%
Monthly Active Users	390 million	370 million	370 million

Before the acquisition news was made public, Blizzard's stock price plummeted on November 16, 2021 due to the scandal involving then ACT CEO Bobby Kotick, causing a large number of shareholders to sell off [9]. On November 19 of the same year, when Blizzard View sought Microsoft's acquisition and the news of a promising future was confirmed by multiple parties, Blizzard's stock price suddenly rose to point B. Due to the continuous obstruction of mergers and acquisitions by the UK Competition and Markets Authority (CMA), the stock prices from point B to point E have continued to fluctuate. At the last E o'clock, when Microsoft's acquisition of Blizzard had become inevitable, ACT also directly raised its stock price to Microsoft's acquisition price at that time. From the stock price, it can be intuitively felt that both the market and investors are very optimistic about this acquisition, and Microsoft's acquisition of Blizzard is undoubtedly the right decision [10].

## 4 Conclusion

### 4.1 Research conclusion

In summary, we can conclude that Microsoft's heavy investment in acquiring Activision Blizzard was not accidental. Both companies sought a way to break through their difficulties due to their own shortcomings in the fierce competition in the gaming market, which ultimately led to good complementarity and improved market competitiveness. After this merger, it may accelerate the wave of mergers and acquisitions, which may cause greater pressure on small developers in market competition due to large-scale mergers and acquisitions in the gaming industry. However, the positive impact may also give rise to more innovative independent game content, and companies may attach importance to technological innovation and research and development investment.

### 4.2 Inspiration for corporate mergers and acquisitions

#### 4.2.1 Emphasize the core competitive role of IP

Microsoft's acquisition of Blizzard significantly enriched its portfolio of premium game IPs, which in turn secured a robust user base and consistent revenue streams. Intellectual property functions not only as a source of revenue, but also as a core competitive asset, shaping long-term brand value and market influence. Companies should leverage IPs for multi-platform development and distribution to extend user reach, improve engagement, and enhance player experience. By creating emotional bonds between users and game characters, strong IPs foster user loyalty, drive higher retention rates, and solidify brand identity. Furthermore, companies expanding globally must adapt IP content to local cultural and market contexts to optimize user satisfaction and drive international growth.

#### 4.2.2 Reasonably utilize acquisition methods

Acquisition is an effective means for enterprises to rapidly expand. By acquiring Blizzard, which has complementary advantages, Microsoft quickly gained a large number of high-quality users and technologies, enabling it to face fierce market competition. Acquisition is not simply about big fish-eating small fish. The first step in acquisition is to pay attention to integration planning. At each stage of the acquisition, cultural integration, team integration, and business integration are all necessary, and their integration plays an important role. For example, if corporate culture integration is handled properly, it can enhance employee identification, promote business collaboration, and achieve strategic goals. Through Microsoft's acquisition of Blizzard, other companies have also taken measures to avoid blindly following the trend, choose targets that can make up for their own shortcomings, and plan and integrate their acquisition routes in advance. In terms of integration, we should respect the original brand, just achieve a "surgical style" blood transfusion, and unite the entire team through a "common mission". If not integrated properly, there will be cultural conflicts and the loss of core team talents.

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