

FINC6017-Mergers and Acquisitions

Table of Contents

Executive Summary.....	2
Industry Overview.....	3
Key drivers of the gaming industry	3
Market size and position of Activision Blizzard	3
Impact of Previous M&A Deals.....	3
Near Time Outlook for M&A in this sector	4
Strategic Rationale	4
Key Motives and Drivers Behind Microsoft’s Acquisition of Activision Blizzard	4
About Microsoft and Activision Blizzard.....	5
Deal valuation.....	5
Standalone Value and Assumptions	5
Achievable Synergies.....	7
Sensitivity Analysis.....	8
NPV and Fair Offer Price Range	10
Transaction structure	11
1. Deal structure: Friendly Takeover	11
2. Conditions to the offer.....	12
3. Offer Price and Control Premium	12
4. Consideration and Financing	13
5.Next Steps	14
6. Contingency Planning: Scheme of Arrangement Approach	14
Risk and Market Reaction.....	14
Regulatory Risk and Compliance	14
Integration and Cultural Risks	15
Financial and Operational Risk	15
Shareholder Expectation.....	16
Market Reaction	16
Final Recommendations.....	16
References	19

Executive Summary

In this report, we take a closer look at Microsoft's acquisition of Activision Blizzard, focusing on why the deal makes sense, how it's structured, how much it's worth, and the risks involved. The acquisition is valued at a range between \$52.69 and \$71.30 per share and is seen as a huge opportunity for Microsoft to strengthen its gaming portfolio. By adding popular franchises like Call of Duty and World of Warcraft to its lineup, Microsoft can significantly boost its position in the rapidly growing gaming industry, especially in mobile and cloud gaming.

Activision Blizzard is a major player in the gaming world, and combining its assets with Microsoft's infrastructure opens up a lot of possibilities for revenue growth and cost savings. We used a Discounted Cash Flow (DCF) model along with industry comparisons to assess the deal's value, factoring in potential synergies and future growth. However, it's important to note that the success of this deal depends on some key assumptions, such as revenue growth and how the companies manage their combined capital structure.

The acquisition is being positioned as a friendly takeover, which should help smooth the way for regulatory approvals. Given the size of the deal and the concerns about creating a monopoly, regulatory hurdles are something Microsoft will need to navigate carefully. To address these concerns, Microsoft has made commitments like keeping Activision's best-known titles available across multiple platforms, along with plans to tackle cultural and workplace issues that have affected Activision in the past.

All in all, this acquisition stands to make Microsoft an even bigger player in the gaming industry, with big opportunities to grow its mobile and cloud gaming businesses. Our recommendation is to proceed with the acquisition while keeping a close eye on regulatory requirements and making sure the integration goes smoothly to unlock the full potential of this deal.

Industry Overview

The gaming sector is evolving rapidly through significant technological enhancement and customer engagement.

Key drivers of the gaming industry

- Technological Advancements- With continuous innovation in hardware and software, like in virtual reality and augmented reality techniques, the user experience is improving, and their engagement level is increasing.
- The boom in Mobile Gaming- The surge in smartphone usage over time has led to the rise of the mobile gaming industry. This accounts for a significant chunk of the gaming industry's market share.
- Digital shift- The physical to digital gaming transition has significantly streamlined access to different gaming platforms. This allows for a wider market reach, a more significant consumer base and convenience.
- Growth of E-sports and rising Internet connectivity- The rising popularity of e-sports, especially among younger customers, has created a new revenue stream for the gaming sector. The proliferation of high-speed internet, especially the 5G network, has made online gaming and e-sports more accessible to a broader audience.

Market size and position of Activision Blizzard

The global market size for the gaming sector is estimated to grow from USD 249.55 billion to USD 665.77 billion by 2030, exhibiting a compound annual growth rate (CAGR) of approximately 13.1% (Fortune Business Insights, n.d.). Activision Blizzard is among the major players in the gaming industry, with popular franchises like World of Warcraft and Call of Duty. The company has a good market share within the gaming segment, with key competitors like Microsoft and Sony (Grand View Research, 2020).

Impact of Previous M&A Deals

In 2022, M&A deals in the gaming business hit a record-breaking \$102.21 billion in gross transaction value (Barbour, 2022). Strategic acquisitions allowed established units to diversify their operations and portfolios, access new markets, pool resources, enhance and advance their

technologies, and have innovative ideas. Globalisation also drives cross-border M&A activities. The increased consolidation from the M&A activity is typically aimed at enhancing the quality of content, expanding the user base, and integrating technologies into existing platforms.

Near Time Outlook for M&A in this sector

The near-term outlook for M&A activity in the gaming sector appears robust, driven by growth and high-level investments. In 2021, investment and M&A transactions in the video game industry reached an impressive \$85.4 billion, which is 154% more than the previous year growth (Ekaterina Bespyatova, 2022). This shows the trend of growth and sustained M&A momentum, which is supported by high demand for technological innovations, digital shift and strategic acquisitions in the industry.

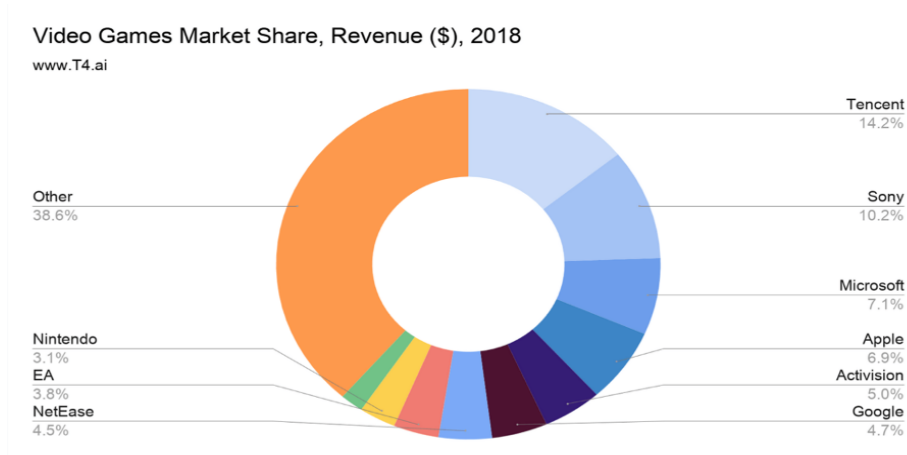


Image 1: Video Game Market Share, Revenue (\$), 2018

(Video Game Market Share / T4, 2021)

Strategic Rationale

Key Motives and Drivers Behind Microsoft's Acquisition of Activision Blizzard

- Strategic Expansion- Microsoft's primary goal is to diversify its gaming portfolio. By acquiring Activision Blizzard, Microsoft gains several franchises which are highly valuable like Call of Duty, Warcraft and Candy Crush (Microsoft News Center, 2022b). This facilitates a strong content and IP acquisition for Microsoft to enhance its growth. It

also aligns with the increasing trend of mobile gaming within the industry which will provide Microsoft with multiple revenue streams.

- **Enhancing Market Position-** The acquisition improves the position of Microsoft to compete in the rapidly evolving gaming sector as it will gain competitive advantage by expanding its portfolio. It can also bolster the Game Pass subscription service by including the popular franchises of Activision to attract more subscribers.
- **Technological Synergies-** Microsoft possesses a strong cloud infrastructure. If it is combined with the well-known games of Activision, it could lead to the division of cloud gaming. Moreover, it also serves as a building block for Microsoft's metaverse goal as Activision has good experience with creating immersive virtual games.

About Microsoft and Activision Blizzard

Microsoft is a publicly traded company whose largest institutional shareholders are Vanguard Group Inc. (9.09%), BlackRock Inc. (5.70%), and State Street Corp. (4.03%) (MarketScreener, n.d.). The company has multiple segments and a global presence. Satya Nadella is the CEO and Chairman of Microsoft, with other key executives including Amy Hood as the CFO and Bradford Smith as Vice Chair and President (Microsoft, 2022).

Activision Blizzard was also a publicly traded company before the acquisition. Bobby Kotick was the long-time CEO of Activision but after Microsoft's all cash acquisition, Activision reported to Phil Spencer who is the CEO of Microsoft Gaming (Microsoft News Center, 2022b). Its operations were mainly divided into Activision Publishing, Blizzard Entertainment, and King Digital Entertainment.

Deal valuation

Standalone Value and Assumptions

The standalone value of Activision Blizzard, based on the Discounted Cash Flow (DCF) model, is estimated at \$18.60 per share.

It is based on several key assumptions that reflect the company's strong performance and prospects in 2020:

Revenue Growth Rate

10% for the first five years, followed by 8% for the next five years.

This aggressive growth assumption is supported by Activision Blizzard's strong performance in 2020:

Record-breaking year for Call of Duty franchise (Activision Blizzard Inc, 2021):

- Premium and free-to-play experiences across platforms sustained more than 100 million monthly active players.
- Franchise net bookings approximately doubled year-over-year.

World of Warcraft's success:

- Full-year franchise net bookings grew 40% year-over-year, reaching the highest level in nearly a decade.

King's performance:

- Delivered its best full-year financial performance since acquisition.
- In-game net bookings grew by a double-digit percentage year-over-year in Q4 2020.

WACC (Weighted Average Cost of Capital): 5.59%

This relatively low WACC reflects (Activision Blizzard Inc, 2021):

- **Low-risk profile:** Activision Blizzard had a strong balance sheet with \$8.65 billion in cash and cash equivalents as of December 31, 2020.
- **Efficient capital structure:** The company's debt-to-equity ratio was lower than some competitors, indicating a balanced approach to financing.

Terminal Growth Rate: 2.5%

This conservative long-term growth rate accounts for:

- **Industry growth:** The global gaming market grew significantly in 2020, with video game revenue surging 20% to about \$179.7 billion (Markets Reverie, 2021).
- **Company-specific factors:** Activision Blizzard's diverse portfolio of franchises and strong market position support sustained long-term growth.

The standalone valuation reflects Activision Blizzard's strong performance in 2020, driven by:

COVID-19 impact: Increased engagement as people turned to gaming for entertainment and social connection during lockdowns (Activision Blizzard Inc, 2020b).

Successful execution of growth initiatives: Particularly for Call of Duty, World of Warcraft, and Candy Crush (Activision Blizzard Inc, 2021).

Mobile expansion: Call of Duty Mobile delivered its best quarter in Q4 2020, with strong double-digit growth in net bookings year-over-year (Activision Blizzard Inc, 2021).

Esports adaptation: Successfully transitioned to online play and remote production for events like the Overwatch League (Activision Blizzard Inc, 2020a).

These factors contribute to the optimistic growth assumptions in the DCF model, supporting the \$18.60 per share standalone valuation. However, it's important to note that this valuation was made during an exceptional year for the gaming industry, and future performance may be affected by post-pandemic trends and other market factors.

Achievable Synergies

The potential synergies from the transaction are estimated at \$40.99 billion.

This figure is based on:

Revenue synergies of \$128.48 billion (Present Value)

Cost synergies of \$76.49 billion (Present Value)

Implementation costs of \$1 billion

The total synergies are calculated at 20% of the sum of revenue and cost synergies, which is a conservative estimate to account for potential integration challenges and market uncertainties.

Synergy Drivers:

Post-acquisition, we anticipate significant synergies and growth opportunities:

- Intellectual property exploitation: The acquisition brings Activision Blizzard's game franchises under Microsoft's ownership, allowing for potential cross-platform integration.
- Leveraging Microsoft's cloud technology: Which will enhance Activision's games and services and help expand Microsoft's gaming ecosystem across PC, console, and mobile (Microsoft News Center, 2022).

- Potential for increased monetization through Microsoft's broader tech stack: This could help Microsoft expand its audience for paid subscriptions and in-game transactions (Benzinga, 2022).
- The expansion also supports Microsoft's Game Pass subscription strategy and could reduce reliance on expensive third-party releases (HARDING-ROLLS, 2022).
- Cost reductions: There are potential synergies in aligning Activision Blizzard's content with Microsoft's B2B games services, tools and technologies (HARDING-ROLLS, 2022), which will help reduce costs in infrastructure, operations, administration, and R&D.
- Increased market share and consumer base: The deal is expected to help Microsoft compete more effectively against companies like Tencent in mobile gaming. Microsoft's CEO of Gaming noted that together they'll "create new worlds and stories, bring your favorite games to more places so more players can join in (Microsoft News Center, 2022).

Sensitivity Analysis

Base Case Values

Base share price: \$18.61; WACC: 5.59%; Terminal Growth Rate: 2.50%; Enterprise Value: \$14,476 million; Terminal Value: \$114,280 million

Sensitivity Analysis Results

1. Revenue Sensitivity

Impact of 1% revenue decrease: -7.43%

Base price: \$18.61

Adjusted price: \$17.23

Value impact: -\$1.38 per share

This moderate sensitivity suggests revenue stability is important but not critical.

2. WACC Sensitivity

Impact of 1% WACC increase: -23.03%

Base price: \$18.61

Adjusted price: \$14.32

Value impact: -\$4.29 per share

The high WACC sensitivity indicates that:

Terminal value is a significant component of total value.

Capital structure decisions are crucial.

3. Terminal Growth Rate (TGR) Sensitivity

Impact of 0.5% TGR decrease: -11.32%

Base price: \$18.61

Adjusted price: \$16.50

Value impact: -\$2.11 per share

Parameter Change	Impact %	Price Impact	New Share Price
Revenue -1%	-7.43%	(\$1.38)	\$17.23
WACC +1%	-23.03%	(\$4.29)	\$14.32
TGR -0.5%	-11.32%	(\$2.11)	\$16.50

The analysis reveals that the valuation is most sensitive to WACC changes (-23.03% impact for 1% increase), followed by terminal growth rate (-11.32% for 0.5% decrease). revenue growth changes have a moderate impact on the final valuation.

The analysis suggests that management should prioritize capital structure optimization and long-term growth initiatives over short-term revenue maximization.



Control Premium

The analysis suggests a reasonable control premium of 35-45% over the standalone value, considering:

- Historical gaming sector premiums
- Strategic value of Activision's IP portfolio
- Market position and growth potential
- Synergy realization probability

The recommended acquisition price range, incorporating both control premium and sensitivity analysis, would be \$52.69 - \$71.30 per share.

NPV and Fair Offer Price Range

The Net Present Value (NPV) of the transaction would be the difference between the total value (including synergies) and the acquisition price. We can determine a range of fair and reasonable offer prices:

Low end: \$18.60 per share (standalone DCF value)

High end: \$71.29 per share (DCF value including all synergies)

Share price / Equity Value	Share price / Equity Value		
	Low	Step	High
DCF Model	18.606	52.691	71.2974
Transaction Comparable Multiple	15.47	3.44	18.91
Trading Multiples	13.3	3.3	16.6
52 week trading range	57.63	38.01	95.64

Considering the transaction comparables:

Median: \$17.19 per share

1st Quartile: \$15.47 per share

3rd Quartile: \$18.91 per share

A fair and reasonable offer price range, considering both DCF and comparable transactions, would be between \$18.91 (3rd quartile of comparables) and \$71.29 (high-end DCF including synergies) per share.

In conclusion, while the standalone value provides a baseline, the potential synergies and strategic value of the acquisition justify a significant premium. The final offer price should balance the value of synergies with the risk of overpayment, considering both the DCF model and comparable transaction multiples.

Transaction structure

1. Deal structure: Friendly Takeover

A friendly takeover of Activision Blizzard would strategically benefit Microsoft, as support from Activision's board and management signals to regulators that the acquisition aligns with both companies' interests (The Harvard Law School Forum on Corporate Governance, 2021). Activision's popular franchises—like Call of Duty, World of Warcraft, and Candy Crush—hold significant market power (Activision Blizzard | Home, n.d.), positioning Microsoft as a dominant industry player. However, regulatory bodies like the FTC and CMA scrutinize the gaming industry's consolidation due to potential monopolistic concerns, as seen in prior high-profile acquisitions like Tencent's Riot Games (2015) and Facebook's Instagram (2012) and WhatsApp (2014) (Russell, 2015). With Activision's leadership backing the deal, Microsoft could better navigate regulatory reviews by emphasizing benefits like job preservation and consumer advantages. Research indicates friendly takeovers typically experience fewer regulatory delays and lower transaction costs. Microsoft's experience in similar acquisitions, such as LinkedIn in 2016 and GitHub in 2018, has also equipped it with the expertise to handle large-scale deals smoothly.

Aligning with Activision's leadership supports Microsoft's goals to expand its gaming ecosystem through Game Pass and cloud gaming. Retaining Activision's management, particularly for expertise in mobile gaming through King Digital, would facilitate smoother integration and preserve valuable industry relationships. Nvidia's failed ARM acquisition underscores the importance of management alignment to ease regulatory hurdles (Sweeney, 2021), suggesting Activision's support could be pivotal for Microsoft.

2. Conditions to the offer

To ensure a successful acquisition of Activision Blizzard and mitigate potential risks, Microsoft should include the following conditions in its offer:

i. Regulatory Approvals and Compliance

- **Antitrust Clearance:** The offer should hinge on securing approvals from the FTC, European Commission, and CMA, confirming no competitive or monopolistic risks.
- **Game Availability:** Microsoft should commit to keeping popular Activision titles, such as Call of Duty, on multiple platforms (e.g., PlayStation) for a set period post-acquisition, reassuring both regulators and consumers.
- **Cloud Gaming Access:** Microsoft should agree to make Activision's games available across multiple cloud services, not limited to Xbox Game Pass, to address cloud gaming dominance concerns.

ii. Employee Retention and Cultural Alignment

- **Talent Retention:** The offer should include retention incentives for key Activision employees, ensuring operational stability and continuity in game development.
- **Workplace Compliance:** Microsoft should require Activision to strengthen workplace compliance, addressing diversity, harassment prevention, and training, aligning with Microsoft's commitment to a positive culture.

iii. Resolution of Legal and Reputational Issues

- **Workplace Misconduct:** Given Activision's 2021 harassment lawsuit (Paul, 2021), Microsoft should condition the acquisition on Activision's commitment to corrective actions, such as a third-party audit of practices and stricter compliance policies.
- **Leadership Transition:** To signal change, Microsoft should require a transition for CEO Bobby Kotick to a non-operational or advisory role post-acquisition, reassuring stakeholders of a new direction.

3. Offer Price and Control Premium

- **Fair Value Estimate:** Based on valuation models, Activision Blizzard's fair value is estimated at \$14.72 billion to \$55.46 billion, equating to a standalone share price between \$18.91 and \$71.29. This range reflects projected cash flows, growth rate, competitive strength alongside a sensitivity analysis on market and synergy factors.

- **Control Premium:** A recommended control premium of 35-45% aligns with gaming sector trends, valuing Activision's IP portfolio and synergy potential. This premium increases shareholder appeal, supporting a smooth, friendly takeover.
- **Initial Offer Price:** An initial offer range of \$52.69 to \$71.30 per share is advised, totaling \$40.99 billion to \$55.49 billion for all 778 million shares. This range balances shareholder appeal, financial responsibility, and strategic asset acquisition for Microsoft.

4. Consideration and Financing

i. Form of Consideration

- **All-Cash Offer:** For this acquisition, an all-cash offer would likely be the most attractive option for Activision Blizzard's shareholders. This form of consideration provides immediate liquidity and avoids the complexities associated with share swaps or equity arrangements. An all-cash offer is also more straightforward, eliminating concerns about fluctuations in Microsoft's share price and ensuring that Activision's shareholders receive a fixed, guaranteed payout.

ii. Financing the Deal

- **Cash Reserves:** Microsoft is in a strong financial position, with approximately 136 billion in cash and cash equivalents as of 30 June 2020. This cash reserve can cover a significant portion of the acquisition cost, providing a solid foundation for an all-cash offer and minimizing the need for external financing.
- **Low-Cost Debt Financing:** To preserve some liquidity and maintain flexibility for future strategic investments, Microsoft could consider using low-cost debt to finance part of the acquisition. Microsoft's AAA credit rating enables it to access debt markets at highly favorable interest rates, providing additional funding without substantially increasing its financial risk (Microsoft, n.d.). Borrowing at a favorable rate would also allow Microsoft to retain a portion of its cash reserves, which could be beneficial for operational and strategic flexibility post-acquisition.

5. Next Steps

- **Engage with Activision Blizzard's Board:** Start formal discussions with Activision's board to secure their support for the friendly takeover. Board endorsement is crucial in a friendly takeover to ensure shareholder confidence.
- **Outline Integration Strategy:** Prepare an integration roadmap to address cultural alignment and retention strategies, which could be communicated to employees and shareholders as part of the post-acquisition plan.
- **Prepare for Regulatory Submissions:** While regulatory approval is still required, Microsoft can preemptively address potential issues with detailed analyses and plans for consumer benefit, potentially easing concerns from regulatory bodies.

6. Contingency Planning: Scheme of Arrangement Approach

If Activision Blizzard's management rejects Microsoft's initial offer, Microsoft can pursue a scheme of arrangement at the same offer price as an alternative acquisition strategy. This court-approved method reduces the requirement for broad shareholder consent, needing only a majority of shareholders by number and 75% by value, which simplifies the approval process. By using the scheme of arrangement, Microsoft can secure the acquisition with greater certainty while maintaining a consistent offer price, signaling fairness and commitment.

Risk and Market Reaction

While Microsoft stands to gain benefits from the acquisition of Activision Blizzard, the deal may present challenges, particularly in regulatory compliance, competition, operational and cultural integration, and financial volatility. This report section identifies potential risks and outlines mitigation strategies.

Regulatory Risk and Compliance

The size of this acquisition is likely to draw scrutiny from authorities regulating competition and monopolistic practices, especially considering Activision's ownership of flagship franchises like *Call of Duty*. Regulatory bodies, including the U.S. Federal Trade Commission (FTC), European

Commission, and the U.K.'s Competition and Markets Authority (CMA), are likely to review the deal. Proactive engagement with regulators can help Microsoft address concerns early, reducing the risk of disruptions or denial. This approach was exemplified in Disney's acquisition of 21st Century Fox, where cooperation with the U.S. Department of Justice (DOJ) helped clear regulatory hurdles (Castillo, 2019).

Integration and Cultural Risks

Activision Blizzard's workplace culture has faced scrutiny over harassment and discrimination allegations, making cultural integration sensitive for Microsoft (Schreier, 2021). Aligning Activision Blizzard's values with Microsoft's is essential to protect employee morale and brand reputation. Microsoft can adopt cultural integration programs, such as value-alignment workshops, and implement strict compliance policies, including anonymous reporting hotlines and third-party audits, to foster a safe workplace. Additionally, offering retention incentives for skilled employees can support long-term career growth and maintain operational stability during integration. Incentives may be key in generating long-term career opportunities while maintaining operational stability during the integration.

Financial and Operational Risk

The high price of acquiring Activision presents a risk that the investment may not yield substantial returns, especially if competitors gain market share or internal changes hinder Activision's development of successful games. The gaming landscape also evolves rapidly, as seen with shifts from PC and console to potential future technologies like virtual reality. Financing the purchase of the company can also raise concerns or increase the debt ratio of Microsoft if the company leverages, which can impose risk on the shareholders, especially the ones who have preference over the returns of Microsoft. Furthermore, poses a credit rating risk on Microsoft for favorable lending terms in the future.

Shareholder Expectation

Acquisitions generally receive positive reactions from shareholders due to additional revenue streams and potential valuation increases. However, concerns could arise if operational and integration costs exceed revenues. Microsoft's acquisition of Mojang (creator of *Minecraft*) was well-received and remains highly profitable. To manage shareholder expectations, Microsoft should communicate the time needed for regulatory approval and integration, emphasizing the acquisition's long-term value.

Market Reaction

Acquisitions are typically well-received in the market, adding revenue potential and intangible asset value. A deal like Activision Blizzard is expected to generate positive reactions, similar to Tencent's acquisition of *League of Legends* and *Clash of Clans*, which increased Tencent's market presence. However, Microsoft must preserve Activision Blizzard's core values to maintain customer loyalty. A relevant sector precedent is EA's 2007 acquisition of BioWare and Pandemic Studios. EA's focus on monetization and production pace shifted BioWare's development approach, leading to quality issues and diminishing the brand's reputation. For Microsoft, it's essential to uphold Activision Blizzard's creative identity, focusing on product quality and market reception over short-term gains to sustain brand value post-acquisition.

Final Recommendations

To ensure a successful acquisition of Activision Blizzard, Microsoft should proceed with a friendly takeover strategy. This approach will enable Microsoft to gain the support of Activision's board, which is critical for securing shareholder confidence and to ensure a smoother process. It is essential to engage Activision's board early on as it demonstrates mutual alignment in interests, particularly in terms of strategic growth and market positioning. By obtaining formal board approval, Microsoft can mitigate the risk of shareholder resistance and establish a strong foundation for moving forward with the acquisition. (Microsoft News Center, 2022)

Given the scale of the acquisition, Microsoft should anticipate and proactively address regulatory scrutiny from key authorities, including the Federal Trade Commission (FTC) in the U.S., the Competition and Markets Authority (CMA) in the UK, and the European Commission. These bodies are likely to closely examine the transaction for potential competition and monopolistic concerns. To alleviate these concerns, Microsoft should offer commitments to keep Activision's popular gaming titles, such as Call of Duty, accessible on multiple platforms apart from Xbox. (Milmo, 2022) Beyond this, Microsoft should make Activision's games available across various cloud gaming services to prevent dominance in the cloud gaming space. Such measures would help Microsoft demonstrate to regulators that the acquisition would not limit competition but instead promote consumer benefits through broader access to gaming content. (Waters, 2022)

A crucial aspect of the acquisition is the integration of Activision Blizzard into Microsoft's operations, which must be carefully planned and executed. Microsoft should focus on retaining key talent from Activision's mobile gaming division, particularly through its subsidiary King, which is vital for the success of future mobile gaming ventures (Akin Olla (2022)). In addition, Microsoft must address cultural alignment challenges, especially considering the harassment and misconduct allegations that have affected Activision. Microsoft's integration strategy should include improving workplace diversity, strengthening harassment prevention policies, and fostering a more inclusive work environment. (Browning, 2021) (*Bloomberg - Are You a Robot?*, n.d.) This approach will not only preserve the company's operational stability but also enhance its brand reputation.

In terms of financial structure, Microsoft's offer should reflect the synergies and potential growth resulting from the acquisition. A control premium of 35-45% is recommended, aligning with sector trends. The initial offer range should be between \$52.69 and \$71.30 per share, which balances shareholder appeal with the strategic value that Activision brings to Microsoft. Microsoft is in a strong financial position to make an all-cash offer, which would be more attractive to Activision's shareholders than stock-based consideration. This cash offer can be funded through Microsoft's substantial cash reserves and low-cost debt, which minimizes financial risk while preserving liquidity for future investments.

In conclusion, Microsoft should advance the acquisition of Activision Blizzard through a friendly takeover, with a focus on regulatory compliance, cultural integration, and a competitive financial offer. By engaging with Activision's board, addressing regulatory concerns, and implementing a

thoughtful integration plan, Microsoft can secure the deal while positioning itself for long-term growth in the gaming industry. This strategic acquisition will strengthen Microsoft's gaming portfolio, enhance its Game Pass service, and provide significant opportunities in mobile and cloud gaming, ensuring continued market leadership in the evolving gaming landscape. (Microsoft News Center, 2022)

A strategic phase on phase plan is attached in the table below

Phase	Description	Key Actions
Phase 1: Regulatory Approvals	Engage with regulatory bodies (FTC, European Commission, CMA) to address potential monopolistic concerns and secure approvals.	<ul style="list-style-type: none"> - Commit to keeping Activision titles on competing platforms (e.g., PlayStation). - Provide access to multiple cloud gaming services.
Phase 2: Leadership Engagement	Secure buy-in from Activision's leadership for smoother integration. Retain key personnel, especially in mobile gaming (King) to maintain operational stability.	<ul style="list-style-type: none"> - Retain Activision's leadership for expertise and smooth transition. - Offer retention incentives to key employees.
Phase 3: Cultural Integration	Align Activision Blizzard's workplace culture with Microsoft's values, addressing past workplace issues.	<ul style="list-style-type: none"> - Implement compliance workshops. - Adopt strict harassment prevention policies. - Conduct third-party audits.
Phase 4: Synergy Realization	Leverage synergies between Microsoft's cloud infrastructure and Activision's game franchises to unlock value.	<ul style="list-style-type: none"> - Form a dedicated synergy realization team. - Integrate games with Microsoft's Game Pass and expand cloud gaming services.
Phase 5: Communication Strategy	Develop and execute a communication plan to keep shareholders, employees, and regulators informed.	<ul style="list-style-type: none"> - Communicate long-term growth potential to all stakeholders. - Ensure consumers know that Activision games will remain accessible.

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