

Message

From: Trevor Soames [trevorsoames@quinnemanuel.com]
Sent: 1/12/2023 10:32:28 AM
To: ZEDLER Marc [REDACTED]
CC: Hyunseok Doh [hyunseokdoh@quinnemanuel.com]; [REDACTED]
Subject: Re: M.10646 Microsoft/ Activision Blizzard - presentation to the CMA
Attachments: 2023-01-09 MSFT-ATVI_discussion_with_CMA_and_NVIDIA (Confidential).pdf; 2023-01-09 MSFT-ATVI_discussion_with_CMA_and_NVIDIA (Non-confidential) final.pdf

Dear Marc and case team,

Please find attached a copy of the *confidential* PDF slide deck that was used in the CMA presentation as well as a *non confidential* PDF version in which the confidential specified information has been blacked out.

NVIDIA respectfully requests confidential treatment of the information identified as being confidential and blacked out in the *non confidential* PDF version in accordance with Article 339 of the Treaty on the Functioning of the European Union, Section II.B.3.2. of the Commission Notice on the rules for access to the Commission file (22 December 2005), and paragraph 1.6 of the introduction to the Form CO annexed to Regulation (EC) No 802/2004 implementing Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings, as amended by Commission Regulation (EC) No 1033/2008 and Commission Implementing Regulation (EU) No 1269/2013 (consolidated version). The CMA presentation is supplied to the Commission exclusively in relation to the appraisal under Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings of the proposed transaction in Case M.10646 - Microsoft/Activision Blizzard. Its publication or disclosure to any other person or entity would not only seriously damage NVIDIA Corporation in the operation of its business but also damage its legitimate interests and, therefore, it requests that this response and its contents be afforded confidential treatment, protected from disclosure, and will not be published or disclosed to any other person or entity (other than the provision of the *non confidential* PDF version to the notifying parties on access to the file under Article 17 of Regulation (EC) No 802/2004) without the express prior written consent of NVIDIA Corporation.

Kind regards

Trevor

Trevor Soames | Partner
Avocat au Barreau de Bruxelles | Solicitor-Advocate & Barrister

Quinn Emanuel Urquhart & Sullivan LLP | Blue Tower | Avenue Louise 326
5th floor | 1050 Brussels | Belgium
+32 2 416 5000 Main | +32 2 416 5002 Direct Line

trevorsoames@quinnemanuel.com

<https://be.linkedin.com/in/trevor-soames-40b007130>

www.quinnemanuel.com

NOTICE: The information contained in this e-mail message is intended only for the personal and confidential use of the recipient(s) named above. This message may be an attorney-client communication and/or work product and as such is privileged and confidential. If the reader of this message is not the intended recipient or agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error and that any review, dissemination, distribution, or copying of this message is strictly prohibited. If you have received this communication in error, please notify us immediately by e-mail, and delete the original message.

From: ZEDLER Marc [REDACTED]
Date: Thursday, 12 January 2023 at 14:04

To: Trevor Soames <trevorsoames@quinnemanuel.com>

Cc: Hyunseok Doh <hyunseokdoh@quinnemanuel.com>, [REDACTED]

Subject: M.10646 Microsoft/ Activision Blizzard - presentation to the CMA

[EXTERNAL EMAIL from marc.zedler@ec.europa.eu]

Dear Trevor,

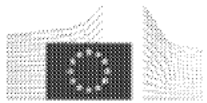
We understand that NVIDIA has recently given a presentation to the CMA about its view on the Microsoft/ Activision Blizzard transaction. We would very much appreciate if you could share this presentation with us as well.

Many thanks in advance!

Marc

Marc Zedler

Deputy Head of Unit



European Commission

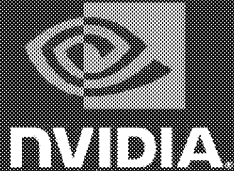
DG COMPETITION

Unit C.5

Competition websites: <http://ec.europa.eu/competition>

DISCLAIMER

"The views expressed are purely those of the writer and may not in any circumstances be regarded as stating an official position of the European Commission."



CMA AND NVIDIA DISCUSSION IN MSFT-ATVI

9 January 2023

CONFIDENTIAL/BUSINESS SECRETS §§ 237(1)(B), 244(3)(A) EA 2002



Cloud Gaming is Poised for Success

Cloud gaming outperforms most PCs and consoles -- Technologically viable for all game genres

Cloud gaming is more accessible -- Moving advanced hardware to the cloud allows any device to play AAA games

Cloud gaming is easy to use -- No long downloads for new game purchases and frequent updates.

Cloud gaming is more affordable -- Subscribing to shared hardware in the cloud lowers the cost for all

Cloud gaming will scale with new game genres -- Games are moving to large, realistic, multiplayer worlds beyond the capability of most clients

Cloud Gaming is Poised for Success

GeForce NOW (GFN) beta was highly successful and benefitted consumers and independent publishers

Reached new group of gamers (e.g., brought high-end PC gaming to consumers with Apple computers, older PCs)

Activision and Bethesda made their games available on GFN for a lengthy Beta period and enjoyed the benefits of it

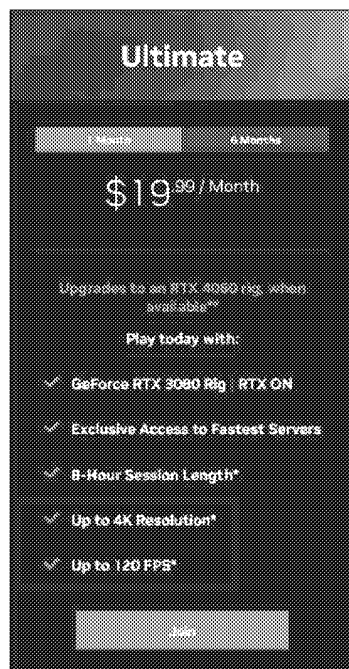
Activision removed its games only when NVIDIA started to monetize GFN -- a question of economics, not technical viability

As a paid service, GeForce NOW continues to innovate, grow its membership, expand its partnerships, and add more client devices (e.g., Chromebooks)

Cloud Gaming is Poised for Success

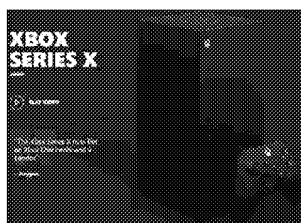
GFN's Last Generation Matched Performance of Current Gen Consoles

GeForce NOW



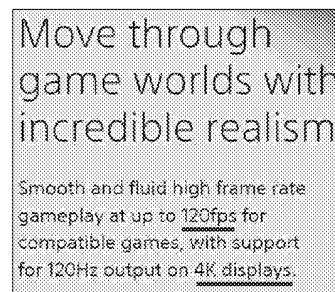
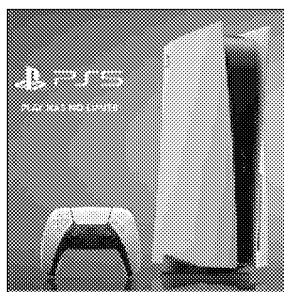
<https://www.nvidia.com/en-us/geforce-now/>

Xbox Series X



<https://www.xbox.com/en-US/consoles/xbox-series-x>

PlayStation 5



<https://www.playstation.com/en-us/ps5/>

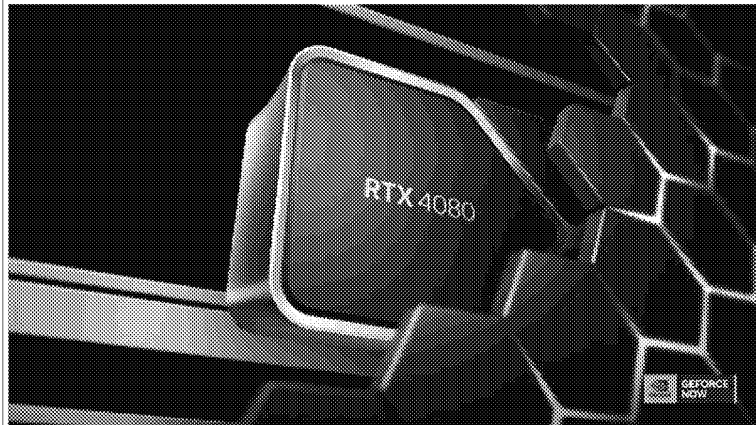
Cloud Gaming is Poised for Success

GFN's Current Generation Is Even Better

NVIDIA Brings RTX 4080 to GeForce NOW

New Ultimate Membership Offers Cloud Gaming at 240 Frames per Second; Play Fully Ray-Traced 'Portal With RTX'

Tuesday, January 3, 2023

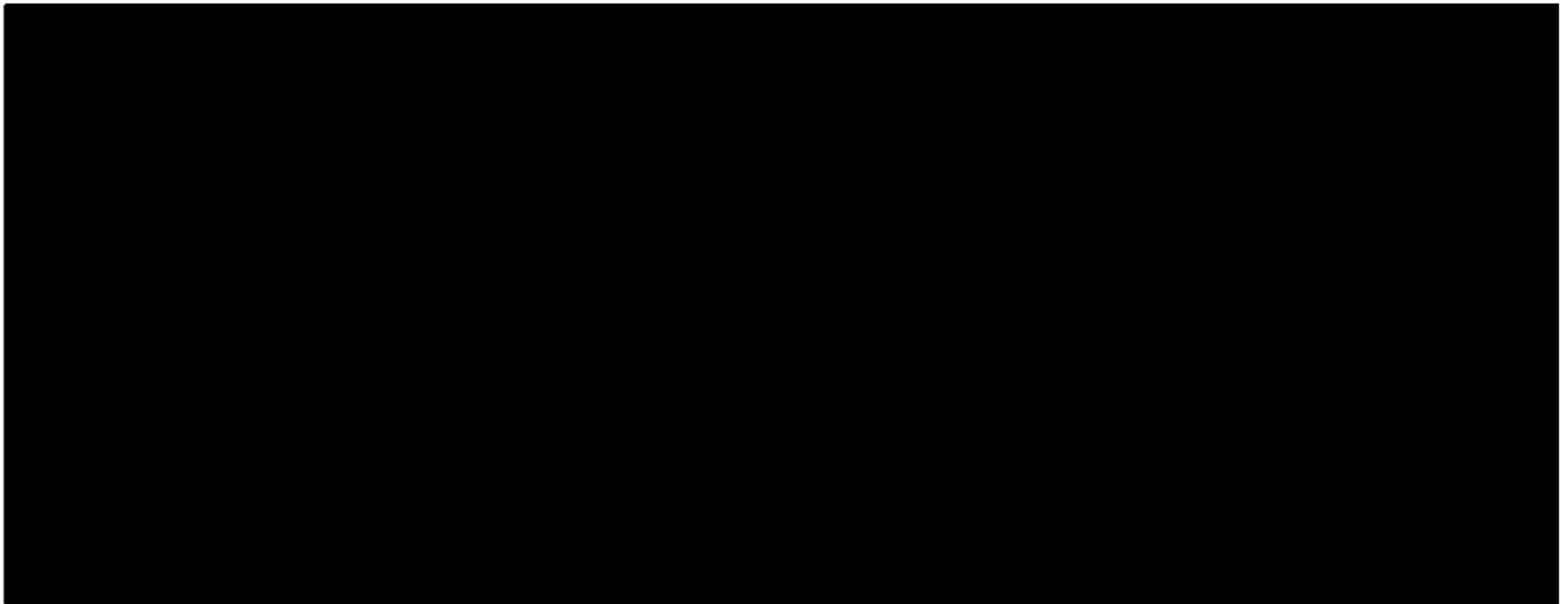


The GeForce NOW Ultimate membership raises the bar on cloud gaming, bringing it closer than ever to a local gaming experience. With GeForce RTX 4080 performance, Ultimate members will be the first to experience true PC gaming — streaming at up to 240 frames per second from the cloud with full ray tracing and DLSS 3, in hit games like *Portal With RTX*. With the addition of NVIDIA Reflex, GeForce NOW achieves click-to-pixel latency below 40 milliseconds — another first in cloud gaming.

<https://nvidianews.nvidia.com/news/nvidia-brings-rtx-4080-to-geforce-now>

Cloud Gaming is Poised for Success

Strong and growing demand exists for Cloud Gaming:



Cloud Gaming Is Critical to Innovation and Competition

Moore's Law is dead, impacting standalone PCs and consoles -- the cloud is unlimited

Cloud gaming will enhance competition and innovation

Consumers want to play games from independent publishers on every platform


Cloud gaming breaks down barriers -- consumers are not locked into a particular console or PC

Competition from cloud gaming (on phones, tables, or Apple computers / older PCs) will spur innovation in consoles

Content is Critical to Cloud Gaming

GFN's Ability to Compete Depends on Fair Access to Content

Consumers will not invest in cloud gaming without access to content



Independent developers of AAA games are more important to cloud gaming than ever

As development costs exponentially increase, barriers to new independent publishers of AAA have grown

Content is Critical to Cloud Gaming

Google Stadia Failed Because of Lack of Content

To sidestep Microsoft's stranglehold over Windows and PC gaming, Google tried to convince publishers to port their games to Linux:

Google is using Linux as the operating system powering its hardware on the server side. That means game developers will need to port their games to Stadia, and you won't be able to bring games you already own like some other cloud gaming services (Nvidia's GeForce Now or Shadow). Google is partnering with Unreal and Unity and even middleware companies like Havok, but there's going to be some lifting involved for developers to get games onto Stadia. Google needs to convince big publishers to sign up, but it failed to detail how much it costs to develop, publish, and run games on Stadia.

<https://www.theverge.com/2019/3/20/18273977/google-stadia-cloud-game-streaming-service-report>

Content is Critical to Cloud Gaming

Google Stadia Failed Because of Lack of Content

That business model proved unsupportable:

Convincing developers to port titles to the Linux-based Stadia has proven difficult. As a result, some big-name titles are not available on the streaming service. Any move in the direction of allowing developers to use code from the Windows versions of games could help bolster Google's platform.

<https://www.windowcentral.com/google-stadia-may-soon-be-able-play-unmodified-windows-pc-games> (9 March 2022)

Right from the start, it was clear that one of the biggest problems with Stadia was the fact that the service only worked with games specifically designed for Stadia. In other words, you couldn't just play the games you already owned via Steam or some other marketplace via Stadia. You had to own the Stadia version of the game, which meant developers also had to make special Stadia versions of their games in the first place.

<https://www.denofgeek.com/games/why-google-stadia-failed-shut-down-explained/> (30 Sept. 2022)

Activision Controls a Powerful Library

“Call Of Duty: Modern Warfare II passes \$1 billion in sales in less than two weeks” (Forbes, 7 Nov. 2022)

“Few franchises generate over a billion dollars in annual net bookings and today we operate three of them - Call of Duty, Warcraft, and Candy Crush.” (Activision Blizzard FY20 Annual Report)

Overwatch and Diablo are other important AAA titles (*Id.*)

“With all of these initiatives already underway, we expect to have at least two more billion-dollar franchises in our portfolio in the next few years.” (*Id.*)

400 million players in 190 countries, with “plans to more than double that audience” (*Id.*)

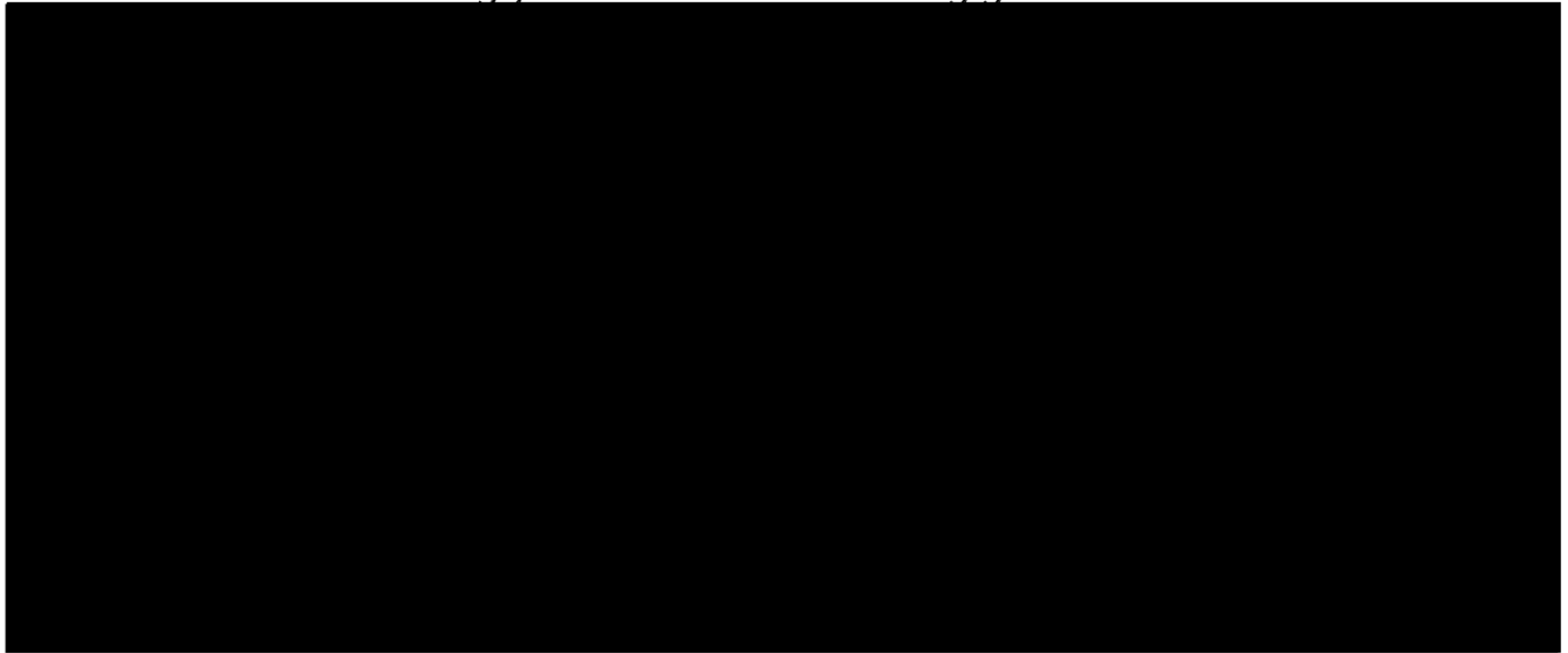
\$69B price tag is an industry record for a reason

Activision Controls a Powerful Library



Activision Controls a Powerful Library

Consumers reacted strongly to Activision removing games from GFN:



Activision Controls a Powerful Library

More customer reactions:



As an Independent Publisher, Activision has Strong Incentives to Promote Competing Platforms

Independent publishers have a powerful incentive to work with many hardware and platform suppliers

- Encourage hardware/platform innovation and competition

- Support hardware/platform that have the best features (e.g., RTX)

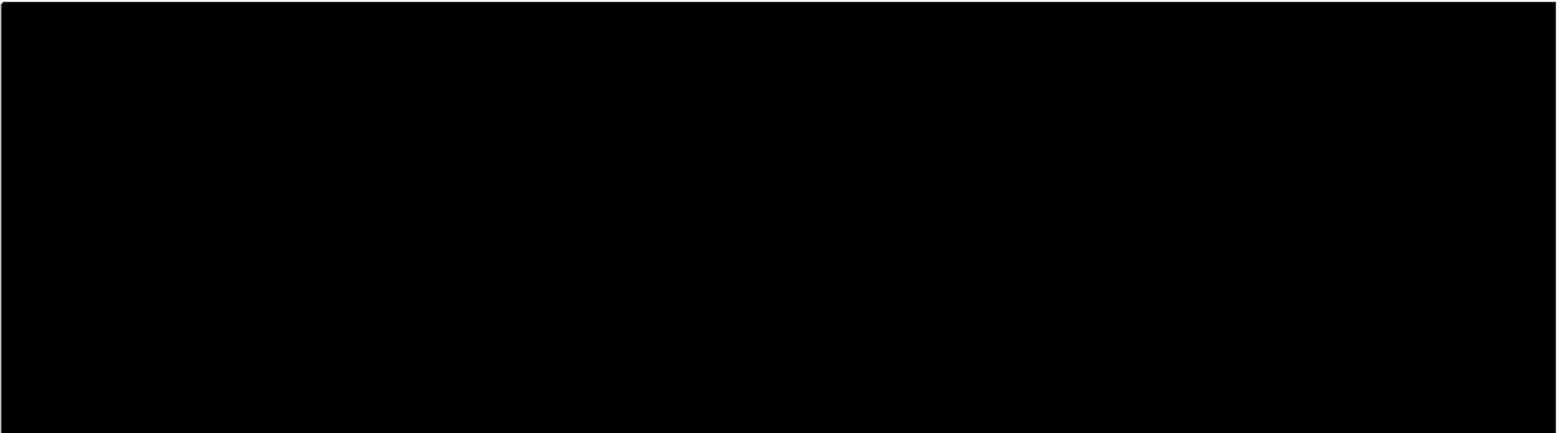
- Maximize reach of, and revenue from, their game libraries

First-party publishers have an undeniable incentive to maximize profits from MSFT's other businesses

The Merger

Changed Activision's Incentives

Activision games were highly successful during GeForce NOW's beta phase:



The Merger

Changed Activision's Incentives

For example:

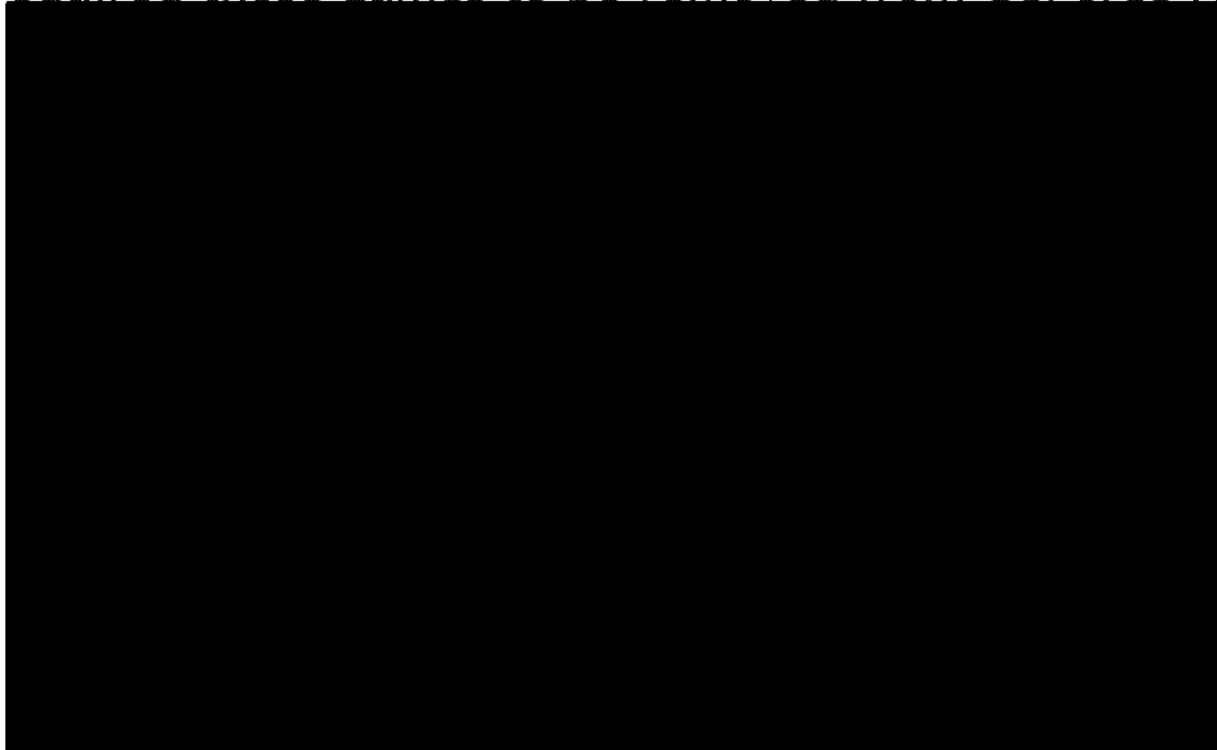
The Merger

Changed Activision's Incentives

The Merger

Changed Activision's Incentives

Microsoft's previous approach when it acquired Bethesda and required those games to be removed from GeForce NOW:

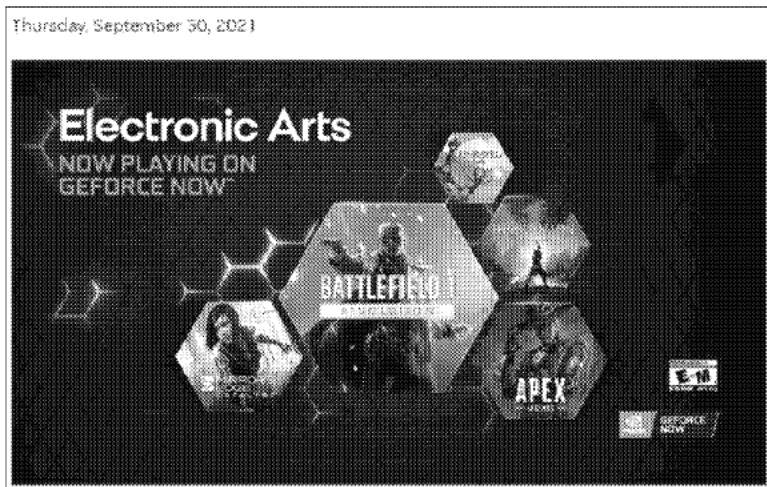


The Merger

Changed Activision's Incentives

Other publishers initially removed games from GeForce NOW after the beta phase - and allowed their games to return thereafter.

As independent publishers, EA and Ubisoft have recognized the benefits to them of GeForce NOW and now make games available on the service:



<https://nvidianews.nvidia.com/news/nvidia-partners-with-electronic-arts-to-bring-hit-games-to-geforce-now>

CONFIDENTIAL/BUSINESS SECRETS § 237(1)(b), 244(3)(a) EA 2002

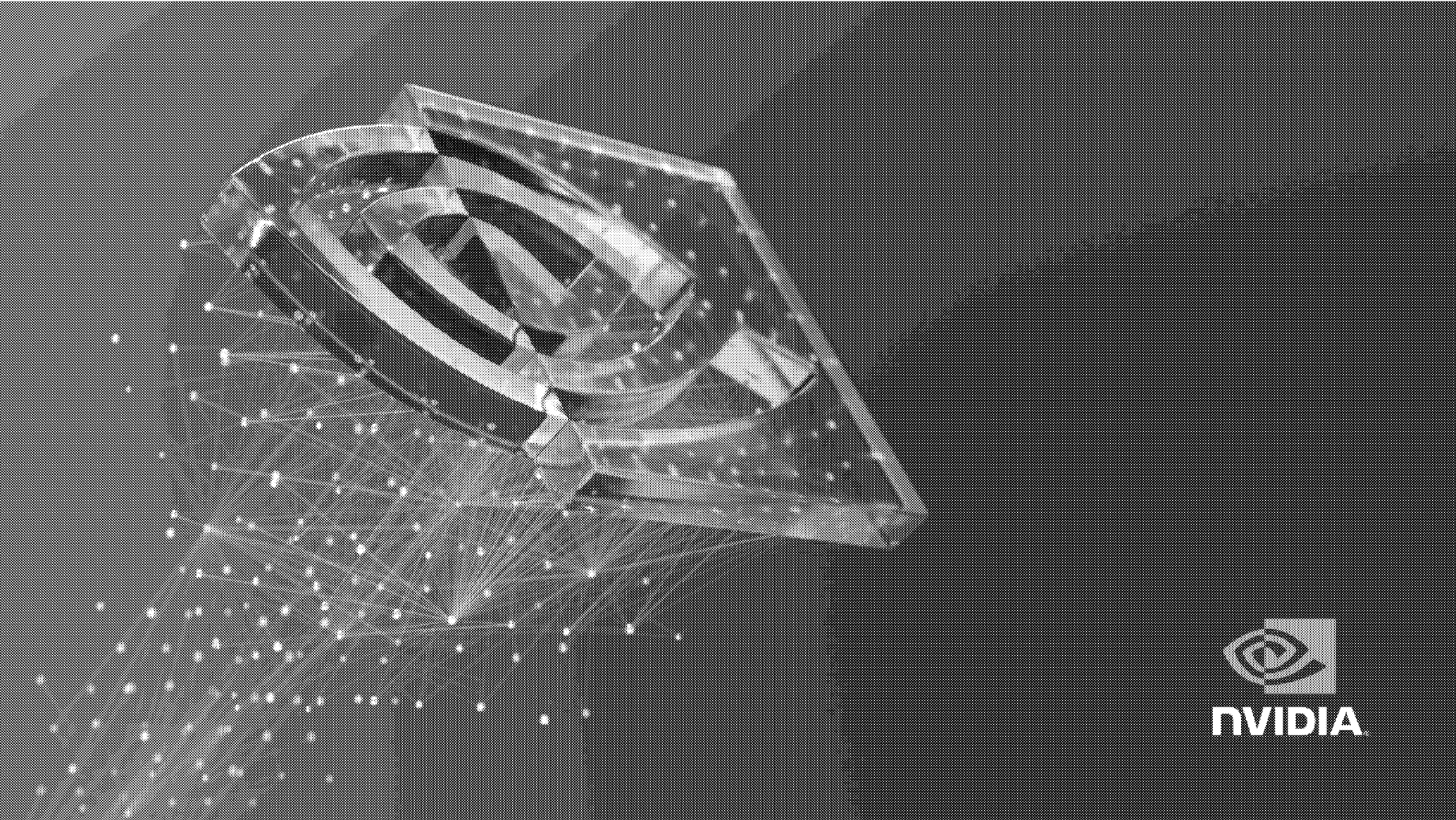


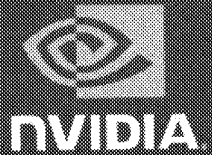
Ubisoft Account linking now available in GeForce NOW!

30 december 2021

<https://ubisoftconnect.com/sv-SE/news/ignt.29734/ubisoft-account-linking-now-available-in-ge-force-now/>

20 NVIDIA

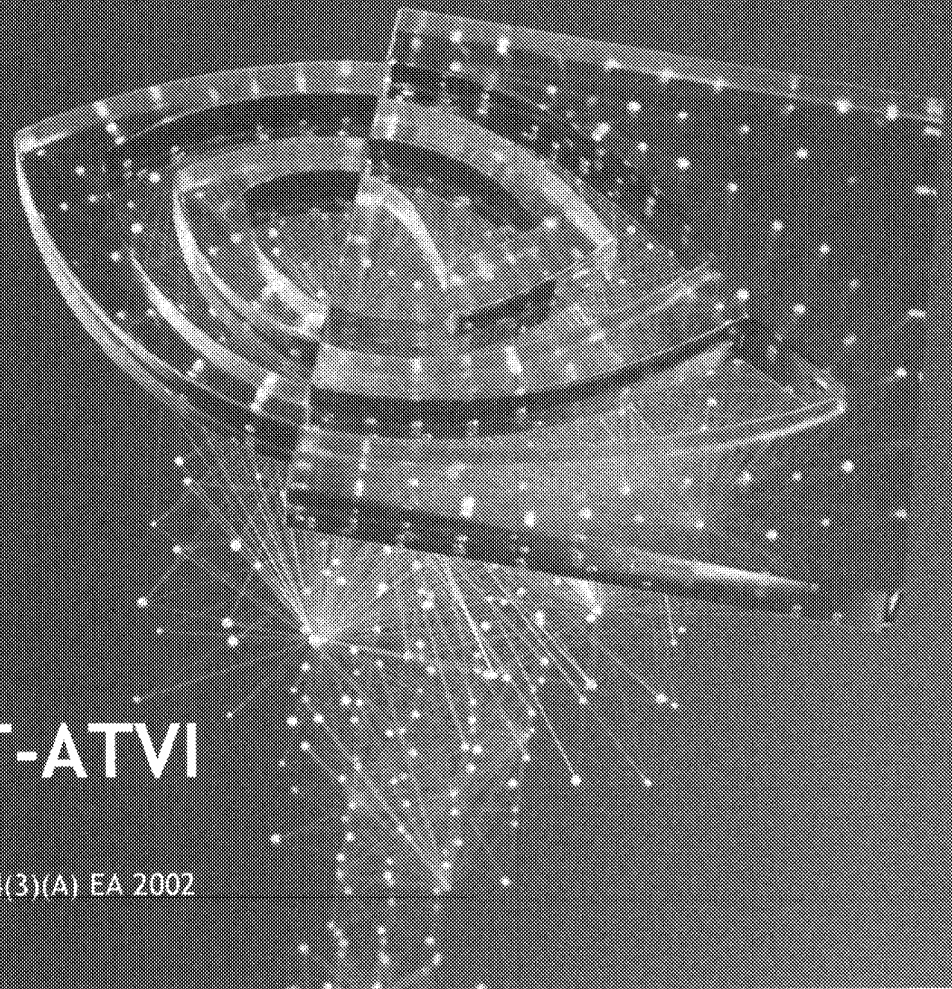




CMA AND NVIDIA DISCUSSION IN MSFT-ATVI

9 January 2023

CONFIDENTIAL/BUSINESS SECRETS 55 237(1)(B), 244(3)(A) EA 2002



Cloud Gaming is Poised for Success

Cloud gaming outperforms most PCs and consoles -- Technologically viable for all game genres

Cloud gaming is more accessible -- Moving advanced hardware to the cloud allows any device to play AAA games

Cloud gaming is easy to use -- No long downloads for new game purchases and frequent updates.

Cloud gaming is more affordable -- Subscribing to shared hardware in the cloud lowers the cost for all

Cloud gaming will scale with new game genres -- Games are moving to large, realistic, multiplayer worlds beyond the capability of most clients

Cloud Gaming is Poised for Success

GeForce NOW (GFN) beta was highly successful and benefitted consumers and independent publishers

Reached new group of gamers (e.g., brought high-end PC gaming to consumers with Apple computers, older PCs)

Activision and Bethesda made their games available on GFN for a lengthy Beta period and enjoyed the benefits of it

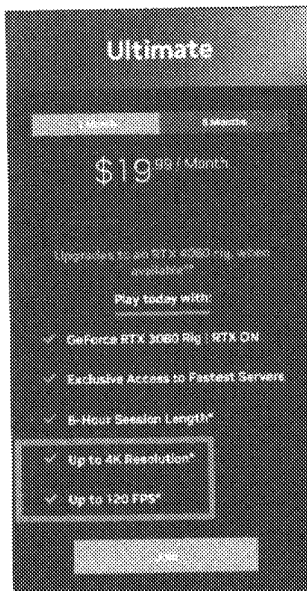
Activision removed its games only when NVIDIA started to monetize GFN -- a question of economics, not technical viability

As a paid service, GeForce NOW continues to innovate, grow its membership, expand its partnerships, and add more client devices (e.g., Chromebooks)

Cloud Gaming is Poised for Success

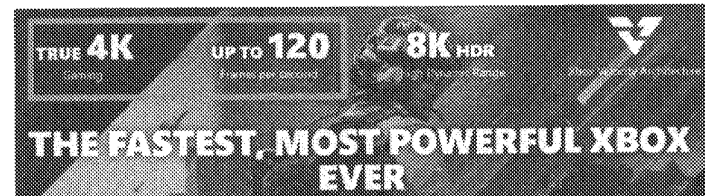
GFN's Last Generation Matched Performance of Current Gen Consoles

GeForce NOW



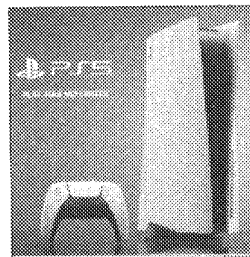
<https://www.nvidia.com/en-us/geforce-now/>

Xbox Series X



<https://www.xbox.com/en-US/consoles/xbox-series-x>

PlayStation 5



<https://www.playstation.com/en-us/ps5/>

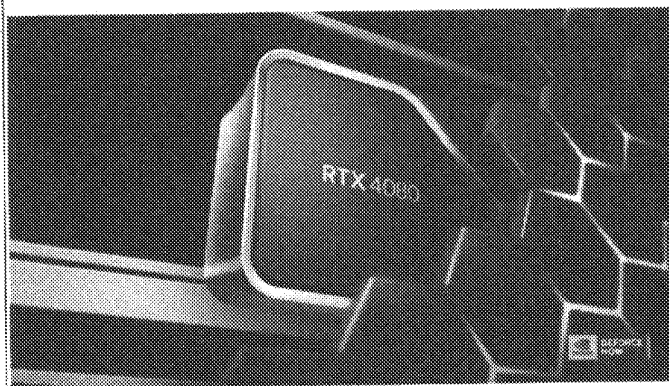
Cloud Gaming is Poised for Success

GFN's Current Generation Is Even Better

NVIDIA Brings RTX 4080 to GeForce NOW

New Ultimate Membership Offers Cloud Gaming at 240 Frames per Second; Play Fully Ray-Traced 'Portal With RTX'

Tuesday, January 3, 2023

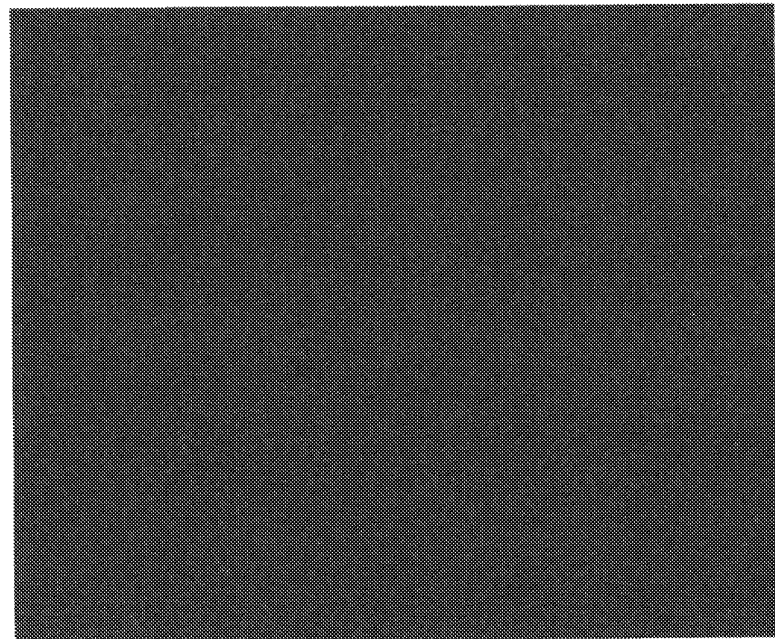
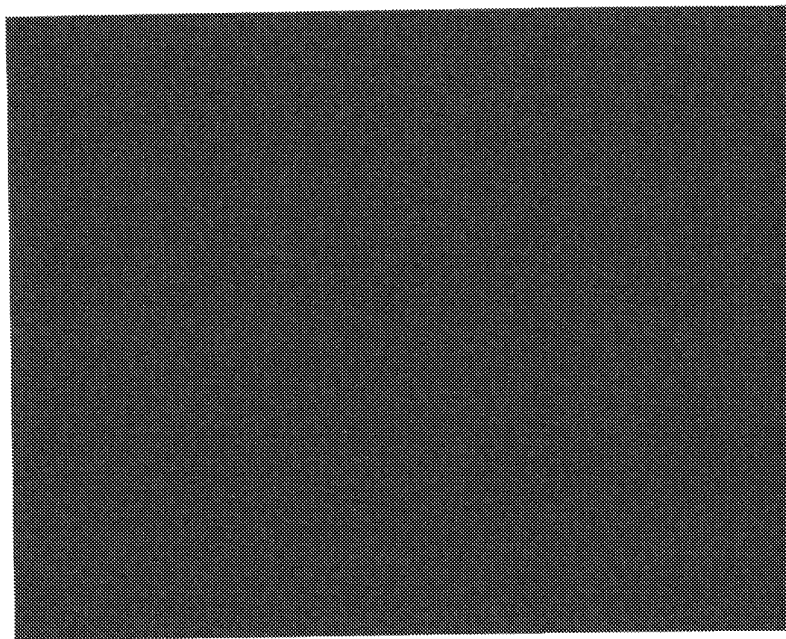


The GeForce NOW Ultimate membership raises the bar on cloud gaming, bringing it closer than ever to a local gaming experience. With GeForce RTX 4080 performance, Ultimate members will be the first to experience true PC gaming — streaming at up to 240 frames per second from the cloud with full ray tracing and DLSS 3, in hit games like *Portal With RTX*. With the addition of NVIDIA Reflex, GeForce NOW achieves click-to-pixel latency below 40 milliseconds — another first in cloud gaming.

<https://nvidianews.nvidia.com/news/nvidia-brings-rtx-4080-to-geforce-now>

Cloud Gaming is Poised for Success

Strong and growing demand exists for Cloud Gaming:



Cloud Gaming Is Critical to Innovation and Competition

Moore's Law is dead, impacting standalone PCs and consoles -- the cloud is unlimited

Cloud gaming will enhance competition and innovation

Consumers want to play games from independent publishers on every platform

Cloud gaming breaks down barriers -- consumers are not locked into a particular console or PC

Competition from cloud gaming (on phones, tables, or Apple computers / older PCs) will spur innovation in consoles

Content is Critical to Cloud Gaming

GFN's Ability to Compete Depends on Fair Access to Content

Consumers will not invest in cloud gaming without access to content



Independent developers of AAA games are more important to cloud gaming than ever

As development costs exponentially increase, barriers to new independent publishers of AAA have grown

Content is Critical to Cloud Gaming

Google Stadia Failed Because of Lack of Content

To sidestep Microsoft's stranglehold over Windows and PC gaming, Google tried to convince publishers to port their games to Linux:

Google is using Linux as the operating system powering its hardware on the server side. That means game developers will need to port their games to Stadia, and you won't be able to bring games you already own like some other cloud gaming services (Nvidia's GeForce Now or Shadow). Google is partnering with Unreal and Unity and even middleware companies like Havok, but there's going to be some lifting involved for developers to get games onto Stadia. Google needs to convince big publishers to sign up, but it failed to detail how much it costs to develop, publish, and run games on Stadia.

<https://www.theverge.com/2019/3/20/18273977/google-stadia-cloud-game-streaming-service-report>

Content is Critical to Cloud Gaming

Google Stadia Failed Because of Lack of Content

That business model proved unsupportable:

Convincing developers to port titles to the Linux-based Stadia has proven difficult. As a result, some big-name titles are not available on the streaming service. Any move in the direction of allowing developers to use code from the Windows versions of games could help bolster Google's platform.

<https://www.windowscentral.com/google-stadia-may-soon-be-able-play-unmodified-windows-pc-games> (9 March 2022)

Right from the start, it was clear that one of the biggest problems with Stadia was the fact that the service only worked with games specifically designed for Stadia. In other words, you couldn't just play the games you already owned via Steam or some other marketplace via Stadia. You had to own the Stadia version of the game, which meant developers also had to make special Stadia versions of their games in the first place.

<https://www.denofgeek.com/games/why-google-stadia-failed-shut-down-explained/> (30 Sept. 2022)

Activision Controls a Powerful Library

“Call Of Duty: Modern Warfare II passes \$1 billion in sales in less than two weeks” (Forbes, 7 Nov. 2022)

“Few franchises generate over a billion dollars in annual net bookings and today we operate three of them - Call of Duty, Warcraft, and Candy Crush.” (Activision Blizzard FY20 Annual Report)

Overwatch and Diablo are other important AAA titles (*Id.*)

“With all of these initiatives already underway, we expect to have at least two more billion-dollar franchises in our portfolio in the next few years.” (*Id.*)

400 million players in 190 countries, with “plans to more than double that audience” (*Id.*)

\$69B price tag is an industry record for a reason

Activision Controls a Powerful Library

[REDACTED]

[REDACTED]

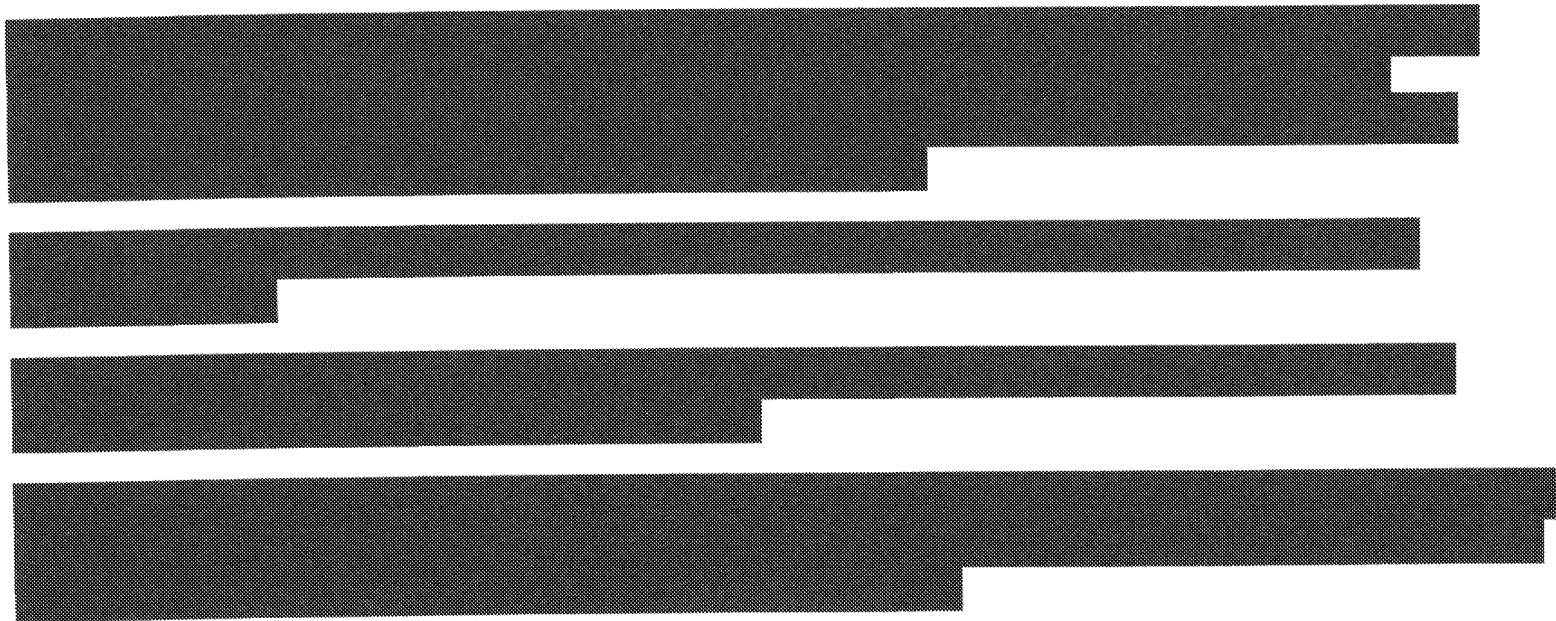
[REDACTED]

CONFIDENTIAL/BUSINESS SECRETS § 5 237(1)(b), 244(3)(b) EA 2002

92 NVIDIA

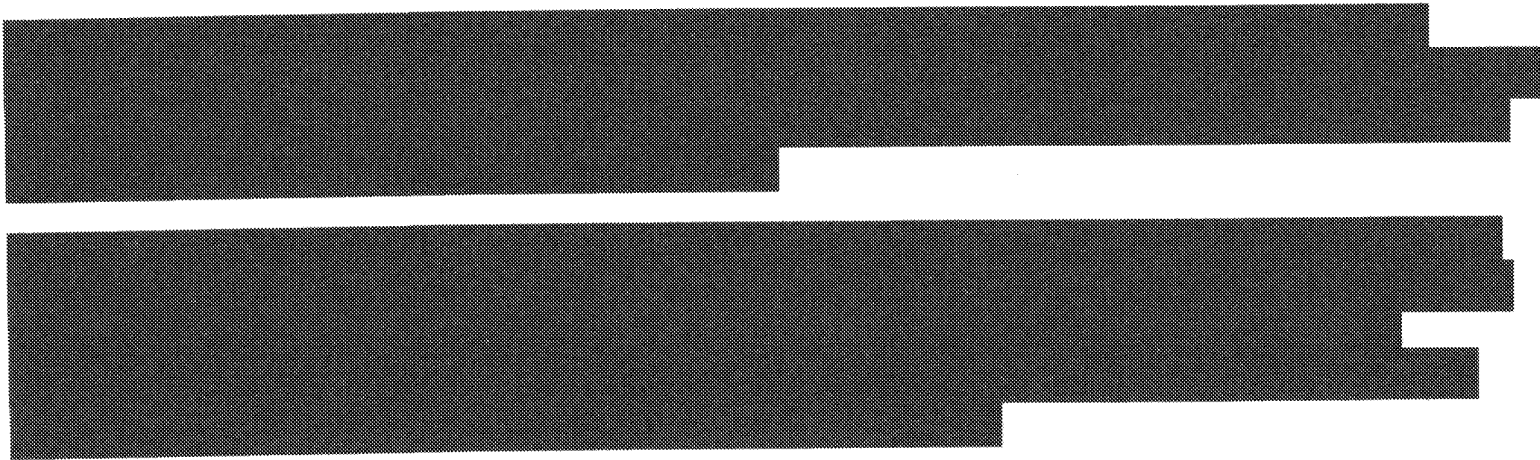
Activision Controls a Powerful Library

Consumers reacted strongly to Activision removing games from GFN:



Activision Controls a Powerful Library

More customer reactions:



As an Independent Publisher, Activision has Strong Incentives to Promote Competing Platforms

Independent publishers have a powerful incentive to work with many hardware and platform suppliers

- Encourage hardware/platform innovation and competition

- Support hardware/platform that have the best features (e.g., RTX)

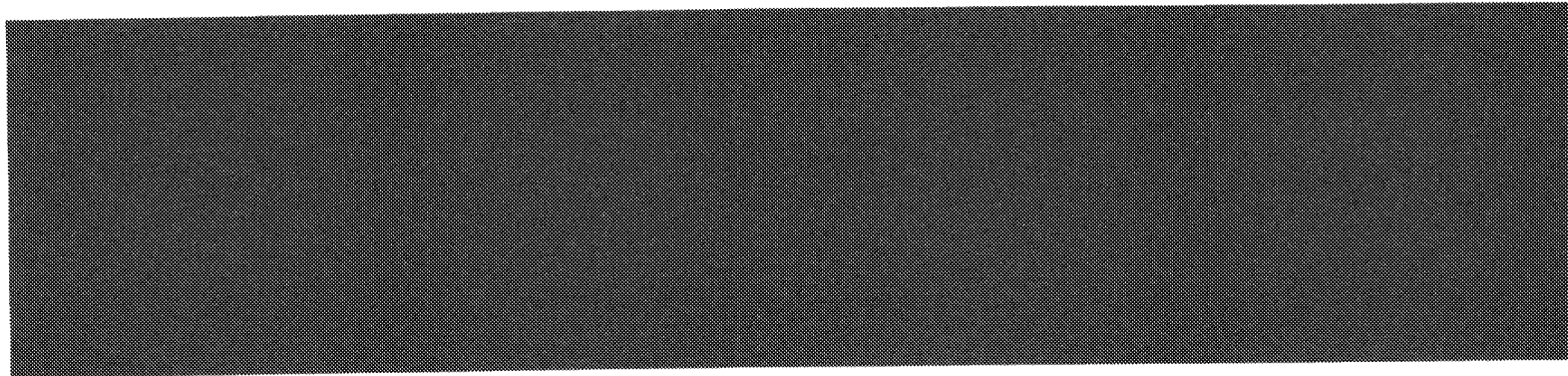
- Maximize reach of, and revenue from, their game libraries

First-party publishers have an undeniable incentive to maximize profits from MSFT's other businesses



The Merger Changed Activision's Incentives

Activision games were highly successful during GeForce NOW's beta phase:



The Merger [REDACTED] Changed Activision's Incentives

[REDACTED]

For example:

[REDACTED]

[REDACTED]

The Merger [REDACTED] Changed Activision's Incentives

[REDACTED]

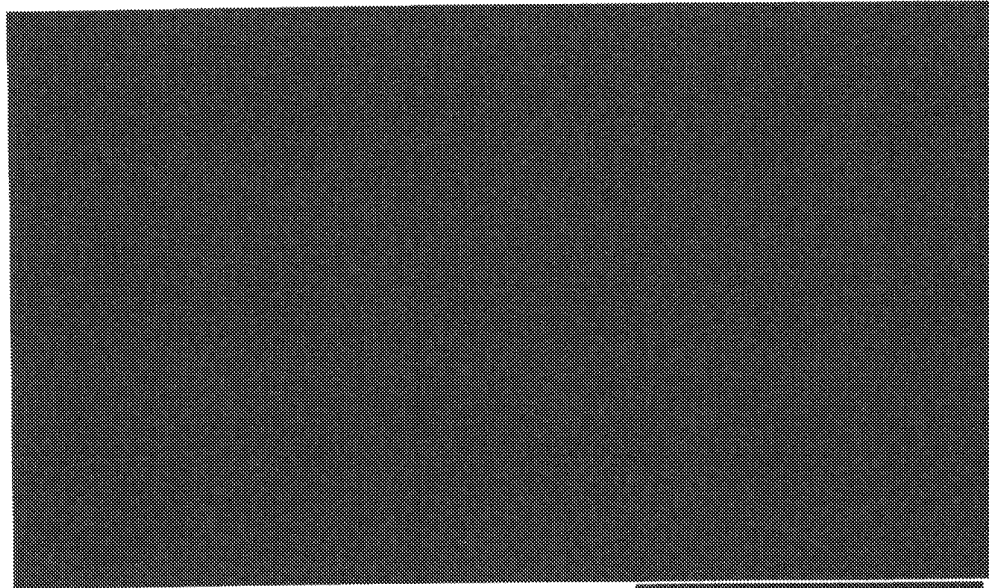
[REDACTED]

CONFIDENTIAL/BUSINESS SECRETS § 237(1)(b), 244(3)(a) EA 2002

The Merger [REDACTED]

Changed Activision's Incentives

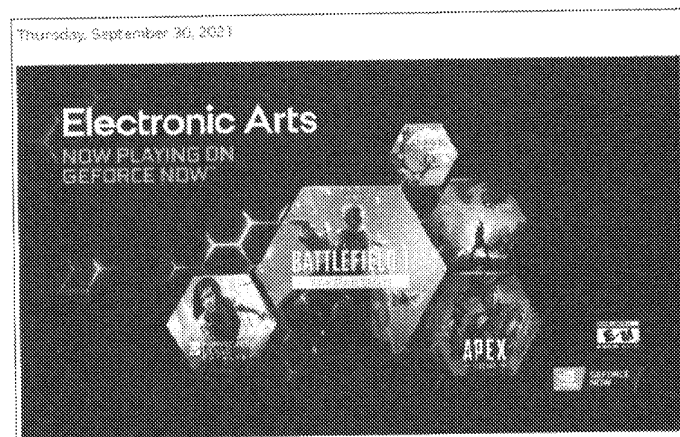
[REDACTED] Microsoft's previous approach when it acquired Bethesda and required those games to be removed from GeForce NOW:



The Merger [REDACTED] Changed Activision's Incentives

Other publishers initially removed games from GeForce NOW after the beta phase - and allowed their games to return thereafter.

As independent publishers, EA and Ubisoft have recognized the benefits to them of GeForce NOW and now make games available on the service:



<https://nvidianews.nvidia.com/news/nvidia-partners-with-electronic-arts-to-bring-hit-games-to-geforce-now>

CONFIDENTIAL/BUSINESS SECRETS § 5 237(1)(b), 244(3)(a) EA 2002



Ubisoft Account linking now available in GeForce NOW!

20 December 2021

<https://ubisoftconnect.com/sv-SE/news/ignt.29734/ubisoft-account-linking-now-available-in-ge-force-now/>

20 NVIDIA

