
From: /O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=MICROSOFT.ONMICROSOFT.COM-55760-TIM STUART
Sent: 3/11/2020 10:04:12 PM
Subject: Gaming CSA - Board - FINAL - SHARE with Leaders.pptx
Attachments: Gaming CSA - Board - FINAL - SHARE with Leaders.pdf

Team – On Monday, Gaming had a presentation slot at the quarterly board meeting. At each board meeting, one of Microsoft's CSAs present and this was our turn.





Gaming Board Presentation 2020

Phil Spencer
Head of Gaming

Microsoft Flight Simulator – available soon on Xbox Game Pass

Gaming

Overall assessment

Gaming continues to see growth at-scale with 1 in 3 people globally playing games.

Games content remains key differentiator to success with consumers. Our investment in Game Studios acquisitions enables us to deliver quality content in FY21 and FY22.

Google, nVidia, Amazon exploring Cloud game streaming, but lack the content portfolio and partner relationships today to attract and retain customer-base.

Growth opportunities





Xbox Game Pass subscription business has surpassed 10M users and is biggest game subscription service on the planet, with high user engagement and post-sales monetization.

xCloud game streaming is a new service growth area with potential to reach 2 billion players across the planet on every computing end-point. Estimated to be biggest game streaming service globally.

Xbox Series X, the next generation Xbox console, will launch in Holiday 2020, expanding our relationships with gamers and developers and accelerating our Xbox Games Pass & xCloud ambitions.

| TAM | | Core TAM | | Microsoft revenue | |
|--------|------------------|----------|------------------|-------------------|------------------|
| FY20E | FY20-23 CAGR (%) | FY20E | FY20-23 CAGR (%) | FY20E | FY20-23 CAGR (%) |
| \$186B | 8% | \$186B | 8% | \$10B | 10% |

Core TAM analysis

| Category | Microsoft offering | Core TAM | | Top players |
|---------------------------------|--|--------------------|------------------|---|
| | | FY20E | FY20-23 CAGR (%) | |
| Content & services ¹ | Xbox Game Studios Xbox Game Pass Digital Store | \$158B | 7% |  |
| Dedicated devices | Xbox HW | \$12B ² | -4% |  |
| Cloud Streaming | xCloud | <\$1B | 105% |  |
| Game video | Mixer | \$16B | 26% |  |

¹Includes all major platforms: Console, PC, Mobile, Social/Browser

²Estimated using CY18 Console HW spend and analyst projections

Microsoft Confidential

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Gaming

GTM Strategy

Console:

- Retain and grow existing and new user base with the next generation Xbox console, "Series X", driving attached users with high, predictable ARPU
- Increase ARPU through AI personalization of storefront and recommendations
- Accelerate Series X momentum with exclusive gaming experiences from Xbox Games Studios, including Halo Infinite

Developer:

- Provide at-scale game development environment for developers with Series X that easily transfers to PC and xCloud platform, enabling build once, deploying to every computing end-point
- Growing developer base (from currently 2000 games being developed in Xbox ecosystem) on Console and PC

Subscription:

- Grow gaming market on PC, mobile and console through Game Pass content subscription service

Streaming:

- Drive global expansion of product delivery to mobile and PC end-points with xCloud game streaming
- Regional focus where consoles do not have large footprint or inaccessible, but high PC and mobile penetration (ie. India and Africa)

Product Differentiation

| | |
|-------------|---|
| Horizon 1 | <ul style="list-style-type: none">• Best-in-class console gaming experience with Xbox Series X and Lockhart SKUs• Strong content portfolio of first-party and third-party game titles• Game Pass content subscription service across PC and console |
| Horizon 2/3 | <ul style="list-style-type: none">• xCloud game streaming to mobile, PC and every computing end-point• Access to all game content, across all devices• AI innovations on xCloud in latency input prediction, player matching, automated game testing, AI Agents• Console as Azure Edge device• New Azure ML Workload SKU using racked Scarlett data centers |

 THE WORLD OF GAMING IS IMMENSE

1 in 3 people
on the planet play
videogames today

FY20E TAM approaching \$200B



 OUR OPPORTUNITY IS TO REACH PLAYERS ON ANY DEVICE, ANYWHERE



2.6B
players

CONSOLE

PC

MOBILE

 CONTENT, COMMUNITY, CLOUD ARE OUR KEY DIFFERENTIATORS

GREAT CONTENT

16,700 games on Xbox

15 1P Xbox Game Studios

6 first party franchises lifetime revenue >\$1B

3900 Xbox developers (+149% growth since 2015)

VIBRANT COMMUNITY

Xbox #1 Gen Z consumer brand

139M users played in 2019 on console, PC, mobile (+17% Y/Y)

35B gaming hours (+21% Y/Y)

15.2M concurrent users on Xbox Live (+17.5% Y/Y)

REACH OF THE CLOUD

402M active PlayFab players (+217% Y/Y)

50% Azure data centers capable of game streaming (+2600% Y/Y)

\$155M investment in game streaming Azure infrastructure

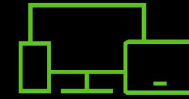
XBOX IS **THE BEST** PLACE TO PLAY



PEOPLE
I want to
play with



GAMES
I want
to play



Best-in-class
**ON EVERY
DEVICE**

 OUR EXECUTION HORIZONS



1 Retain and grow
players & developers



2 Reach new players
on PC and mobile



3 Scale globally,
partner locally

Membership is our platform

 OUR MEMBERSHIP INVESTMENT IS XBOX GAME PASS

260
console games

170
PC games



41
countries



 access
partner perks

 THE LARGEST GAME SUBSCRIPTION SERVICE IN THE WORLD



12.4M subscribers
Xbox Game Pass

34 months to 10M
+137% Y/Y



70 months
to 10M



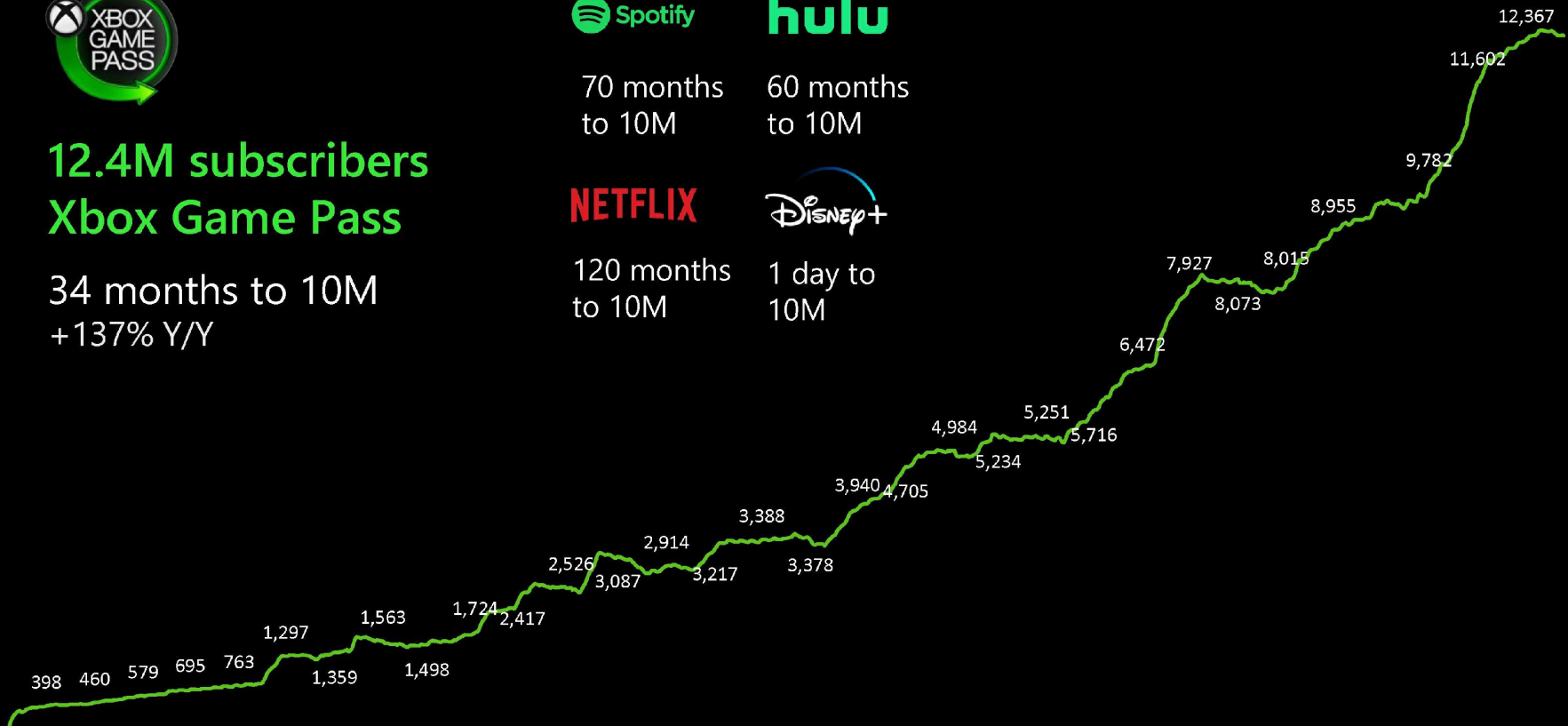
60 months
to 10M



120 months
to 10M



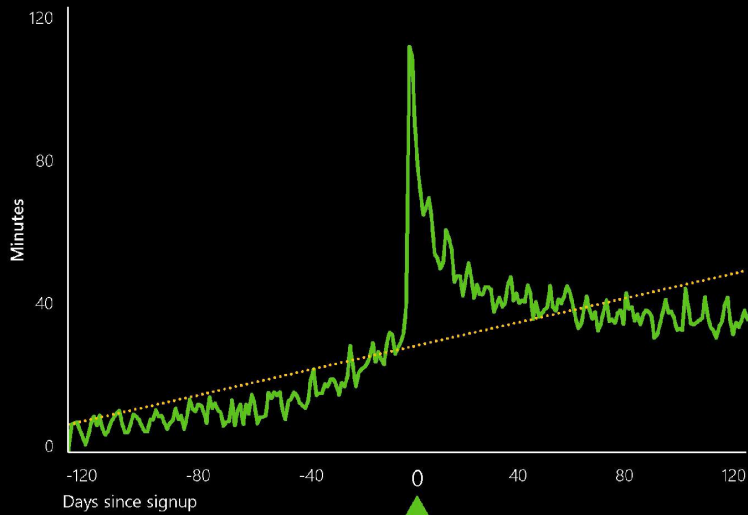
1 day
to 10M



 MEMBERSHIP GROWS USER ENGAGEMENT AND MONETIZATION

We know users **play more** with Game Pass

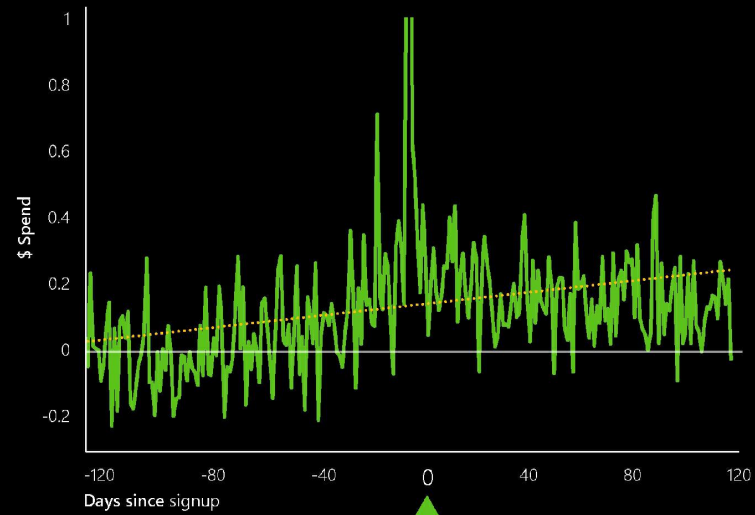
Gaming duration
incremental to non-GP



Game Pass increases gaming time by 14 hours / month

We know users **spend more** with Game Pass

Title spend
incremental to non-GP



Game Pass increases spending by \$1.92 / month

 EXECUTION HORIZON 1: RETAIN AND GROW DEVELOPERS AND PLAYERS



THE NEW
XBOX
SERIES X

H O L I D A Y 2 0 2 0

 EXECUTION HORIZON 1: RETAIN AND GROW DEVELOPERS AND PLAYERS



THE NEW
XBOX
SERIES X

H O L I D A Y 2 0 2 0

XBOX CONSOLE IS OUR DRIVER TO **XBOX MEMBERSHIP**

 INNOVATING ON SUBSCRIPTION MODELS - XBOX ALL ACCESS

**1 MONTHLY
SUBSCRIPTION**
to console, content
and services

NEW
distribution channels
with telcos



Xbox All Access

Console + Xbox Game Pass Ultimate

\$24.99 for 24 months

20+
countries by
holiday 2020

**~10%
CONSOLE
GROWTH**
in Australia, with
Telstra value share
at 36%

 EXECUTION HORIZON 2: REACH NEW PLAYERS ON PC & MOBILE

ALL
first party
games ship in
PC Game Pass

1.3M
active players in
PC Game Pass beta

**WIN 10
OOBE**
option to join PC
Game Pass at install

**FY20
BIGGEST**
revenue year
for PC games
**\$100M higher than
previous biggest
revenue year ever**

47
PC OEM partners
pre-bundling
with Game Pass
**MSI, Asus, Acer,
Lenovo, Razer,...**



 EXECUTION HORIZON 2: REACH NEW PLAYERS ON PC & MOBILE

[PREVIEW]

Project xCloud

Play AAA games on your mobile phone or tablet



Preview in US, UK,
Canada, South Korea

Expanding to Western
Europe, Japan, India

260K+
active players

95 titles from top
publishers

NPS
41



X ONE GAME - ON THE CONSOLE AND IN THE CLOUD







 AI WORKLOADS BEYOND GAMING – IN THE CLOUD, AT THE EDGE



xCloud v3 Hardware

- Deploying to Azure early 2021
- Strong security principles, encryption for all content, virtualized OS platform
- Ideal for many heavy compute AI applications
- AMD GPU (12TF)
- Fast SSD storage for applications that rely on large data farms
- Estimated cost \$0.02/hr vs Nvidia GPUs at \$1+ /hr

CLOUD: Low-cost AI Machine Learning Server
EDGE: Secure Cloud Connected Edge IoT Device

 EXECUTION HORIZON 3: SCALE GLOBALLY, PARTNER LOCALLY



Preview in India
Launching April 2020

Game On!

This could be Mukesh Ambani's next big bet

"Reliance Industries chairman Mukesh Ambani might have hinted at his next big bet. While talking to Microsoft's Satya Nadella, Ambani said that gaming could be the next big industry in India."

—The Economic Times



 GOOGLE ENTERS GAME STREAMING MARKET WITH STADIA SERVICE



The New York Times








TECH FIX

Google Stadia Wants You to Replace Your Video Game Console. Don't.

The search giant's new console-free gaming service is a neat concept. But there are bugs and too many unknowns.

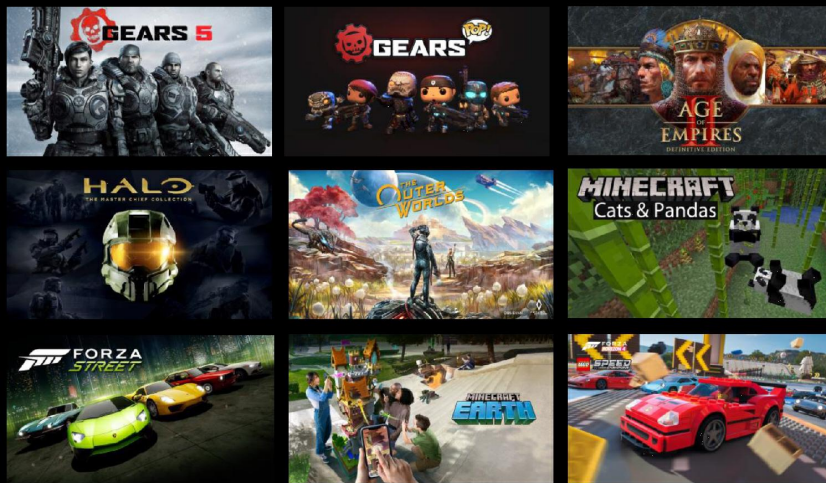


 GAME STREAMING COMPETITIVE LANDSCAPE

| | OFFERING | GAMES | PLATFORMS | STRENGTHS & WEAKNESSES |
|---|---|--|---|--|
|   STADIA | \$120 setup + \$10/month + Cost of buying each game (\$20-\$60) | 30 | Chrome browser TV (Chromecast Ultra) Smartphone | ↑ Google willingness to invest ↑ Youtube click-to-play |
|   | \$5-\$10/month | 650 | PS4 Windows PC | ↑ Large game catalog ↓ No mobile offer ↓ Weaker game catalog |
|   | \$5/month w/ free tier + Cost of buying each game | 1,500 Partnership with Steam, Ubisoft, Epic | Nvidia shield TV Browser smartphone | ↑ Low cost to serve ↓ Lost support from EA, Activision Blizzard, Bethesda, 2K Games |
|  | TBD | TBD | TBD | ↑ Expansive cloud infrastructure |

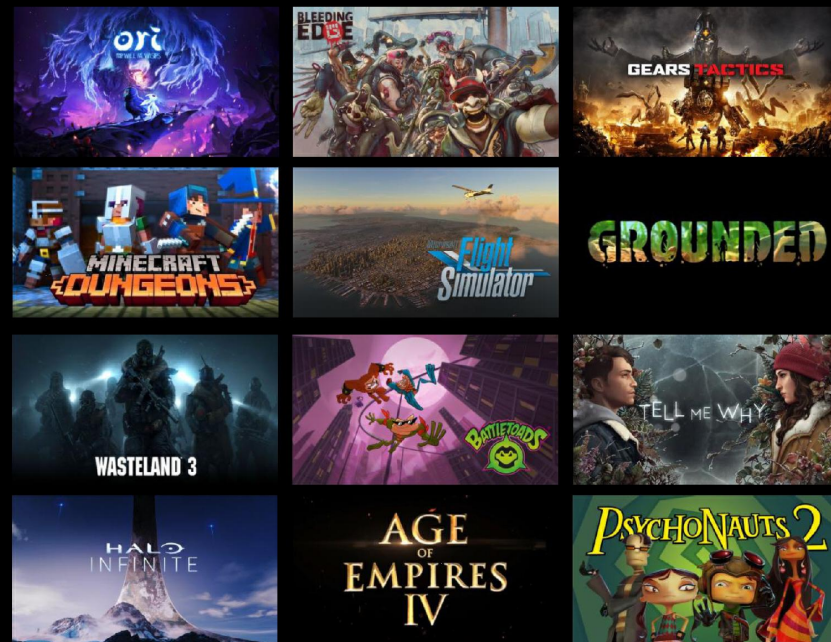
 WE ARE INVESTING IN MORE FIRST PARTY, QUALITY CONTENT

2019



6 First party franchises
lifetime revenue over \$1B
Halo, Minecraft, Forza, Age of Empires,
Flight Simulator, Gears of War

The year ahead







XBOX IS THE BEST PLACE TO PLAY