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**From:** Phil Spencer </O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=MICROSOFT.ONMICROSOFT.COM-55760-PHIL SPENCER>  
**To:** Gaming LT; James Gwertzman  
**Sent:** 1/28/2020 4:57:09 PM  
**Subject:** FW: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

FYI on a discussion with the LT. We have more work to do on our One MS approach.

Phil



**From:** Amy Hood <amyhood@microsoft.com>  
**Sent:** Tuesday, January 28, 2020 8:44 AM  
**To:** Phil Spencer <philsp@microsoft.com>; Sarah Bond <Sarah.Bond@microsoft.com>  
**Cc:** Satya Nadella <satyan@microsoft.com>; Peggy Johnson <Peggy@microsoft.com>; Tim Stuart <timstu@microsoft.com>; Takeshi Numoto <Takeshi.Numoto@microsoft.com>; Scott Guthrie <scottgu@microsoft.com>; Jason Zander <jasonz@microsoft.com>  
**Subject:** RE: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

Yes, similar to how we use balance of trade math to assess across workloads. There is a good model for doing this on the commercial side of the house – so Tim can connect with that team too to make sure we are bidding with the end to end in mind especially on larger transactions.

**From:** Phil Spencer <philsp@microsoft.com>  
**Sent:** Tuesday, January 28, 2020 8:40 AM  
**To:** Amy Hood <amyhood@microsoft.com>; Sarah Bond <Sarah.Bond@microsoft.com>  
**Cc:** Satya Nadella <satyan@microsoft.com>; Peggy Johnson <Peggy@microsoft.com>; Tim Stuart <timstu@microsoft.com>; Takeshi Numoto <Takeshi.Numoto@microsoft.com>; Scott Guthrie <scottgu@microsoft.com>; Jason Zander <jasonz@microsoft.com>  
**Subject:** RE: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

Maybe a good SLT review, we could setup 30 minutes to go over the detail here.

Activision is unique partner given their King acquisition. Q3 revenue for King was \$500M (all mobile) while Activision (Call of Duty) was \$209M and Blizzard \$394M (leaning PC but also includes mobile and console). Activision is really a mobile first publisher (through their \$6B King acquisition) so Google Play and AppStore comprise significantly more revenue for Activision than any other publishing partner we have. For example, EA's revenue split by platform are 21% PC, 65% console, 14% mobile. Most of our larger partners (Take2, Bethesda, Capcom etc) are much more console/PC dependent than even EA.

So a deal between Activision and Google (or Apple) that modifies the platform royalty has a more dramatic impact on the overall ATVI profit margin than any AAA partner would have. The core revue stream for most of the partners is critical.

ATVI is already 80/20 in Sony's store via their co-marketing deal on Call of Duty.

Our engagement next week with ATVI is about getting their support for Xbox Gamepass/xCloud. ATVI has verbally agreed to this if we can get the platform economics right. We are offering a combination of store royalty split, co-marketing and some other cost savings on their part. Getting Call of Duty and Overwatch in XGP would be a big win for us and we plan on landing this next week.

On overall Azure progress, the team's have made good progress on product truth, PlayFab integration and partner engagement. I reviewed with the team yesterday and we currently have Ubisoft, Pearl Abyss, Activision (for Multi-

player servers), Square Enix, EA is evaluating, Take 2 etc. We have not put Xbox Store revenue splits into play to acquire these deals

The thing I like about our Azure PlayFab engagement is we are seeing uptake on our high level services like multiplayer servers, DDOS, voice chat, anti-toxicity etc which are much stickier services. The work between Azure and PlayFab has really evolved with focus from both teams.

That said, in the mobile space we are seeing Google use their Google Play royalty split to acquire mobile G Cloud deals. We aren't losing due to robustness or service. We hear more and more from the local deal teams in Asia specifically that the platform royalty savings are a bargaining advantage for Google. For BobbyK at ATVI, this was really just a financial calculation plus he's really enjoying telling everyone that he has preferred partner royalty splits in Google Play Store.

I would not say we have a great model for looking at the optimal long term value drivers for MS when evaluating a partner like EA, Take Two etc where our Xbox revenue streams are significant value drivers for the partner. To date we are using this leverage to secure Xbox Gamepass and xCloud partners. It's worth us building the model to understand the tradeoffs we'd make to secure Azure, M365 and Azure PlayFab workloads. This should be an advantage for MS relative to other partners. Have to get the structure right. We will work on this analysis.

Phil

**From:** Amy Hood <[amyhood@microsoft.com](mailto:amyhood@microsoft.com)>  
**Sent:** Monday, January 27, 2020 9:28 PM  
**To:** Sarah Bond <[Sarah.Bond@microsoft.com](mailto:Sarah.Bond@microsoft.com)>  
**Cc:** Satya Nadella <[satyan@microsoft.com](mailto:satyan@microsoft.com)>; Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>; Peggy Johnson <[Peggy@microsoft.com](mailto:Peggy@microsoft.com)>; Tim Stuart <[timstu@microsoft.com](mailto:timstu@microsoft.com)>; Takeshi Numoto <[Takeshi.Numoto@microsoft.com](mailto:Takeshi.Numoto@microsoft.com)>; Scott Guthrie <[scottgu@microsoft.com](mailto:scottgu@microsoft.com)>; Jason Zander <[jasonz@microsoft.com](mailto:jasonz@microsoft.com)>  
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Thanks. Yes but the only thing unique to G play is mobile which I thought was primarily King so was surprised that was a multiple bigger than our console.

I get with Steam, PS, etc..but figured that wasn't G Play.

Will be good to see how much bigger G play is as it will be a powerful testament to mobile user long tail value versus our core console.

Amy

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**From:** Sarah Bond <[Sarah.Bond@microsoft.com](mailto:Sarah.Bond@microsoft.com)>  
**Sent:** Monday, January 27, 2020 9:10:42 PM  
**To:** Amy Hood <[amyhood@microsoft.com](mailto:amyhood@microsoft.com)>  
**Cc:** Satya Nadella <[satyan@microsoft.com](mailto:satyan@microsoft.com)>; Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>; Peggy Johnson <[Peggy@microsoft.com](mailto:Peggy@microsoft.com)>; Tim Stuart <[timstu@microsoft.com](mailto:timstu@microsoft.com)>; Takeshi Numoto <[Takeshi.Numoto@microsoft.com](mailto:Takeshi.Numoto@microsoft.com)>; Scott Guthrie <[scottgu@microsoft.com](mailto:scottgu@microsoft.com)>; Jason Zander <[jasonz@microsoft.com](mailto:jasonz@microsoft.com)>  
**Subject:** Re: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

We represent ~10 percent of Activision Blizzards total business today.

They are unique in that they have both Blizzard and King, which are large mobile & PC businesses.

We will lay out the math here and share back with this thread.

Sarah

Sent from my iPhone

On Jan 27, 2020, at 8:49 PM, Amy Hood <[amyhood@microsoft.com](mailto:amyhood@microsoft.com)> wrote:

I would like to see math as well even at the same 80/20 for our Xbox store as I hadn't realized ATVI made that much more off console than on (or of our share of console) which is what your statement implies.

So we may have to go to 80/20 and not get a cloud deal? That seems strange - so good to learn unless they just viewed Azure as a non option.

Amy

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**From:** Satya Nadella <[satyan@microsoft.com](mailto:satyan@microsoft.com)>  
**Sent:** Monday, January 27, 2020 8:37:10 PM  
**To:** Phil Spencer <[philsp@microsoft.com](mailto:philsp@microsoft.com)>; Amy Hood <[amyhood@microsoft.com](mailto:amyhood@microsoft.com)>; Peggy Johnson <[Peggy@microsoft.com](mailto:Peggy@microsoft.com)>  
**Cc:** Sarah Bond <[Sarah.Bond@microsoft.com](mailto:Sarah.Bond@microsoft.com)>; Tim Stuart <[timstu@microsoft.com](mailto:timstu@microsoft.com)>; Takeshi Numoto <[Takeshi.Numoto@microsoft.com](mailto:Takeshi.Numoto@microsoft.com)>; Scott Guthrie <[scottgu@microsoft.com](mailto:scottgu@microsoft.com)>; Jason Zander <[jasonz@microsoft.com](mailto:jasonz@microsoft.com)>  
**Subject:** RE: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

I would love to understand the economics better.

ATVI gave up 100s of millions of 100% margin dollars for a cloud design win and YouTube eSport exclusivity.

If we say did 90/10 or 100/0 on XBOX for ATVI, what would the equivalent of the economics be for exclusive on Mixer and Azure design win.

Just want to understand the economics in some detail here.

Also Scott and Jason need to note that Azure still is not ready for Gaming workloads.

Thx

Satya

Sent from [Mail](#) for Windows 10

**From:** [Phil Spencer](#)  
**Sent:** Monday, January 27, 2020 5:56 PM  
**To:** [Satya Nadella](#); [Amy Hood](#); [Peggy Johnson](#)  
**Cc:** [Sarah Bond](#); [Tim Stuart](#)  
**Subject:** FW: INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

Sarah and I wanted to give you a background on the Activision/Google deal which includes the announce below plus Activision signing on to use GCP as their game cloud infrastructure.

We don't know all of the details but from discussions with ATVI, our understanding is that Google went to 80/20 in the Google Play store across King, Activision and Blizzard titles in exchange for YouTube eSport exclusivity and GCP support.

The 80/20 exchange to ATVI was worth hundreds of millions of dollars on their annual P&L given the scale of

Candy Crush and Call of Duty on mobile. This is a deal we could not match given the value we'd see in our ecosystem today.

Sarah and I are travelling to ATVI next week to secure rights for ATVI on Scarlett, Xbox Game Pass and xCloud. We will do this through 80/20 value exchange in our console store, 95/5 in our PC store and co-marketing for key titles over the next 4 years. This deal, for us, drives strategic value and growth in our core Gaming pillars.

Sarah, Tim and I do have work to do to go to the larger game publishers with an all-encompassing MS opportunity across Azure, M365 and Gaming. The teams are making progress on Azure robustness for game service hosting where we can now look at future deals that approach Gaming partners in a more One Microsoft manner. I feel better about our go forward ability to land these end to end deals.

Thanks,

Phil

**From:** Kenney III, Henry <[Henry.KenneyIII@assemblyinc.com](mailto:Henry.KenneyIII@assemblyinc.com)>

**Sent:** Monday, January 27, 2020 3:51 PM

**To:** Gaming News Coverage <[xboxnewscoverage@microsoft.com](mailto:xboxnewscoverage@microsoft.com)>

**Cc:** Gaming Comms Team <[XboxComms@microsoft.com](mailto:XboxComms@microsoft.com)>; Xbox International PR Leads <[xboxinternational@microsoft.com](mailto:xboxinternational@microsoft.com)>; @Assembly Xbox <[AssemblyXbox@Assemblyinc.com](mailto:AssemblyXbox@Assemblyinc.com)>

**Subject:** [EXTERNAL] INDUSTRY FYI | YouTube Partners with Activision Blizzard for Exclusive esports Streaming

**INDUSTRY FYI | YouTube Partners with  
Activision Blizzard for Exclusive esports  
Streaming**

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January 27, 2020

### Summary

On Friday, 24 January, Google and Activision Blizzard announced the two companies have signed a multi-year strategic partnership where YouTube will serve as the game publisher's exclusive worldwide streaming partner (excluding China), and Google Cloud as its preferred game-hosting infrastructure. Esports leagues and events impacted by this include Overwatch League, Call of Duty League, Hearthstone Esports, and additional Activision Blizzard franchises.

The news has driven a straightforward, moderate cycle from outlets such as Forbes, Digital Trends, and The Verge, with media acknowledging this partnership as a way for YouTube to establish itself in the gaming live-streaming space beyond video on-demand. Forbes suggested this partnership was the sign of a "larger issue" for Amazon's Twitch, as did The Verge, with both outlets highlighting the number of recent departures in content creators and the loss of esports programming from the streaming platform. Digital Trends also opined that Twitch's dominance is "slipping away." According to HypeBeast, the announcement coincides with the launch weekend of Call of Duty League's inaugural season and just ahead of the Overwatch League season start date on February 8.

The PR team is monitoring the cycle and will provide updates on noteworthy developments.

### Citations

9to5Google: [Activision Blizzard will host games on Google Cloud, makes YouTube exclusive streaming partner](#)

Business Insider: [YouTube just scored a major victory in its battle with Amazon's Twitch for esports supremacy, thanks to the company behind 'Call of Duty'](#)

CNET: [Overwatch, Call of Duty leagues exclusively streaming on YouTube after Google deal](#)

Digital Trends: [Overwatch League, Call of Duty League to exclusively stream on YouTube](#)

Engadget: [YouTube will stream the CoD and Overwatch leagues in 2020](#)

ESPN: [Activision Blizzard announce multi-year YouTube streaming partnership with Google](#)

Forbes: [YouTube Stealing 'Call Of Duty' And 'Overwatch' From Twitch Is A Sign Of Larger Issues](#)

Gamasutra: Activision Blizzard And Google Enter Into Multi-Year Strategic Relationship To Power New Player Experiences

GamesIndustry.biz: Activision Blizzard and Google sign esports, cloud deals

HypeBeast: YouTube Lands Exclusive Streaming Deal for 'Overwatch' and 'Call of Duty' Leagues

IGN: Overwatch, Call of Duty, and All Other Activision Esports to Broadcast Exclusively on YouTube

Polygon: Overwatch and Call of Duty leagues move to YouTube in exclusive Google deal

Variety: YouTube Scores Exclusive Streaming for Activision Blizzard's E-Sports, Including Overwatch and Call of Duty Leagues

Venture Beat: Activision Blizzard brings Overwatch, Call of Duty esports exclusively to YouTube

The Verge: YouTube is using massive e-sports leagues to take on Twitch in big live-streaming bet

Wired: An Esports Exodus to YouTube Reshapes the Livestream Wars

Please reply to the original sender for questions.

<97224109CEB14D0F8F128E5583FF454C.png>

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