

Microsoft to gobble up Activision for \$69 billion in bet on the metaverse

MICROSOFT CORP. is buying *Call of Duty* maker Activision Blizzard for \$68.7 billion in the biggest gaming industry deal in history as global technology giants stake their claims to a virtual future.

The deal announced by Microsoft on Tuesday, its biggest-ever and set to be the largest all-cash acquisition on record, will bolster its firepower in the booming video gaming market where it takes on leaders Tencent and Sony.

It also represents the American multinational's bet on the "metaverse," virtual online worlds where people can work, play and socialize, as many of its biggest competitors are already doing.

"Gaming is the most dynamic and exciting category in entertainment across all platforms today and will play a key role in the development of metaverse platforms," Microsoft Chief Executive Satya Nadella said.

Microsoft, one of the biggest companies in the world largely thanks to corporate software such as its Azure cloud computing platform and Outlook franchise, is offering \$95 per share — a 45% premium to Activision's Friday close.

Activision's shares were last up 26% at \$82.10, still a steep discount to the offer price, reflecting concerns the deal could get stuck in regulators' crosshairs.

Microsoft has so far avoided the type of scrutiny faced by Google and Facebook but this deal, which would

make it the world's third largest gaming company, will put the Xbox maker on lawmakers' radars, said Andre Barlow of the law firm Doyle, Barlow & Mazard PLLC.

"Microsoft is already big in gaming," he said.

However, a source familiar with the matter said Microsoft would pay a \$3-billion break fee if the deal falls through, suggesting it is confident of winning antitrust approval.

The tech major's shares were last down 1.9%.

The deal comes at a time of weakness for Activision, maker of games such as *Overwatch* and *Candy Crush*. Before the deal was announced, its shares had slumped more than 37% since reaching a record high last year, hit by allegations of sexual harassment of employees and misconduct by several top managers.

The company is still addressing those allegations and said on Monday it had fired or pushed out more than three dozen employees and disciplined another 40 since July.

CEO Bobby Kotick, who said Microsoft approached him about a possible buyout, would continue as CEO of Activision following the deal, although he is expected to leave after it closes, a source familiar with the plans said.

In a conference call with analysts, Microsoft boss Mr. Nadella did not directly

refer to the scandal but talked about the importance of culture in the company.

"It's critical for Activision Blizzard to drive forward on its renewed cultural commitments," he said, adding "the success of this acquisition will depend on it."

'METAVERSE ARMS RACE'

Data analytics firm Newzoo estimates the global gaming market generated \$180.3 billion of revenues in 2021, and expects that to grow to \$218.8 billion by 2024.

Microsoft already has a significant beachhead in the sector as one of the big three console makers. It has been making investments including buying *Minecraft* maker Mojang Studios and Zenimax in multibillion-dollar deals in recent years.

It has also launched a popular cloud gaming service, which has more than 25 million subscribers.

According to Newzoo, Microsoft's gaming market share was 6.5% in 2020 and adding Activision would have taken it to 10.7%.

Executives talked up Activision's 400 million monthly active users as one major attraction to the deal and how vital these communities could play in Microsoft's various metaverse plays.

Activision's library of games could give Microsoft's Xbox gaming platform an edge over Sony's Playstation, which has for years enjoyed a more steady stream of exclusive games.

"The likes of Netflix have already said they'd like to foray into gaming themselves, but Microsoft has come out swinging with today's rather generous offer," said Sophie Lund-Yates, equity analyst at Hargreaves Lansdown.

Microsoft's offer equates to 18 times Activision's 2021 earnings before interest, tax, depreciation and amortization (EBITDA). That compares with the 16 times EBITDA valuation of *Grand Theft Auto* maker Take-Two Interactive's cash-and-shares deal for Zynga last week.

According to Refinitiv data, the Microsoft-Activision deal would be the largest all-cash acquisition on record, trumping Bayer's \$63.9-billion offer for Monsanto in 2016 and the \$60.4 billion that InBev bid for Anheuser-Busch in 2008.

Tech companies from Microsoft to Nvidia have placed big bets on the so-called metaverse, with the buzz around it intensifying late last year after Facebook renamed itself as Meta Platforms to reflect its focus on its virtual reality business.

"This is a significant deal for the consumer side of the business and more importantly, Microsoft acquiring Activision really starts the metaverse arms race," said David Wagner, equity analyst and portfolio manager at Aptus Capital Advisors.

"We believe the deal will get done," he said, but cautioned: "This will get a lot of looks from a regulatory standpoint." — **Reuters**

Global Payments looks to expand clients, services

GLOBAL PAYMENTS, Inc. is looking to expand its market in the country by targeting more small and medium-sized enterprises (SMEs) and offering additional services, including quick response (QR) payments.

The US-headquartered payments firm is providing services to more than 8,000 SMEs in the country, Global Payments Philippines Country Head Brent Joseph Tiongson said.

"We're looking to grow the [SME] business, both from a new and existing perspective, by at least 15% this year. So, we're going to make our existing portfolio plus the new ones in this category really create an impact in terms of the whole business of Global Payments in the Philippines," Mr. Tiongson said in an online interview.

Mr. Tiongson said they would be focusing initially on medium-sized businesses that already have "formalized" operations.

He said small businesses are usually faced with challenges on how to sell their products and cost management issues.

"A lot of these businesses are focused on a day-to-day basis. So, to help them alleviate those concerns or help them in their businesses, it would really benefit them to adopt digital strategies," Mr. Tiongson said.

He said SMEs that tap services of Global Payments can have access to a "super terminal," which can process credit cards of major firms like Visa, Inc.; Mastercard, Inc.; American Express Co.; and JCB Co. He added their clients can also access installment payments through their points of sale.

Last month, Global Payments partnered with Citi Group, Inc. to bring back Citi PayLite in the country for installment payment schemes for Citi credit card holders.

"We're seeing very good traction in terms of the sales volume that we're seeing come into the system, so we hope to continue that partnership for a longer period," Mr. Tiongson said. — **Luz Wendy T. Noble**

FULL STORY



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US examining Alibaba's cloud unit for national security risks

WASHINGTON — The Biden administration is reviewing e-commerce giant Alibaba's cloud business to determine whether it poses a risk to US national security, according to three people briefed on the matter, as the government ramps up scrutiny of Chinese technology companies' dealings with US firms.

The focus of the probe is on how the company stores US clients' data, including personal information and intellectual property, and whether the Chinese government could gain access to it, the people said. The potential for Beijing to disrupt access by US users to their information stored on Alibaba cloud is also a concern, one of the people said.

US regulators could ultimately choose to force the company to take measures to reduce the risks posed by the cloud business or prohibit services altogether. The US-listed shares of Alibaba fell nearly 3% before the market opened on Tuesday and were last trading down just over 1%.

Former President Donald J. Trump's Commerce Department was concerned about Alibaba's cloud business, but the Biden administration launched the formal review after he took office in January, according to one of the

three people and a former Trump administration official.

Alibaba's US cloud business is small, with annual revenue of less than an estimated \$50 million, according to research firm Gartner, Inc. But if regulators ultimately decide to block transactions between American firms and Alibaba Cloud, it would damage the bottom line one of the company's most promising businesses and deal a blow to reputation of the company as a whole.

A Commerce Department spokesperson said the agency does not comment on the "existence or nonexistence of transaction reviews." The Chinese Embassy in Washington did not respond to a request for comment.

Alibaba declined to comment. It did flag similar concerns about operating in the US in its most recent annual report, saying US companies that have contracts with Alibaba "may be prohibited from continuing to do business with us, including performing their obligations under agreements involving our... cloud services."

The probe into Alibaba's cloud business is being led by a small office within the Commerce Department known as the Office of Intelligence and Security. It was created by the Trump administration to wield broad new powers to

ban or restrict transactions between US firms and internet, telecom and tech companies from "foreign adversary" nations like China, Russia, Cuba, Iran, North Korea, and Venezuela.

The office has been particularly focused on Chinese cloud providers, one of the sources said, amid growing concern over the potential for data theft and access disruption by Beijing.

The Trump administration issued a warning in August, 2020 against Chinese cloud providers including Alibaba, "to prevent US citizens' most sensitive personal information and our businesses' most valuable intellectual property... from being stored and processed on cloud-based systems accessible to our foreign adversaries."

Cloud servers are also seen as ripe for hackers to launch cyberattacks because they can conceal the origin of the attack and offer access to a vast array of client networks.

While there are scant public cases of the Chinese government compelling a tech company to turn over sensitive customer data, incidents of Chinese hackers reveal their use of cloud servers to gain access to private information.

For example, hackers connected to the Chinese Ministry of State Security penetrated HPE's cloud computing service and used it as a launch pad to attack customers, plundering reams of corporate and government secrets for years in what US prosecutors say was an effort to boost Chinese economic interests.

'PILLAR OF GROWTH'

Alibaba, the world's fourth largest cloud provider according to research firm Canalys, has about 4 million customers and describes its cloud business as its "second pillar of growth." It saw a 50% rise in revenue to \$9.2 billion in 2020, though the division accounts for just 8% of overall sales.

It has boasted business relationships with units of top US companies including Ford Motor Co., IBM's Red Hat, and Hewlett Packard Enterprise, according to press releases.

While the sweeping Trump era powers don't cover foreign subsidiaries of US companies, US regulators have previously found ways to link them to their US parent companies, which can in turn be subject to restrictions. — **Reuters**

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Online gig, from SI/1

"Like the Universal Health Care Act, the government can consider providing universal social protection," the authors said.

"Whether it is to design a social protection scheme suitable for online workers or a mechanism to increase tax compliance, field experiments could be conducted to determine the appropriate interventions that will encourage partic-

ipation and reduce the informality of online work."

The PIDS researchers expect online work to surge, with a third of the workforce partly or fully working remotely after five years.

"With the COVID-19 pandemic, the market for online work is believed to expand further with the increase in outsourced tasks and availability of workers due to job losses in other sectors."

ASEAN, from SI/1

EYE ON DEBT

The country's debt levels and fiscal space will closely be assessed as the pandemic drags on, said Sagarika Chandra, director, Asia-Pacific Sovereign Ratings.

"There are certain concerns that we have about the recovery. And you know, whether the authorities will be able to stick to the fiscal policies, which we saw prior to the pandemic — it is something which is quite important for us," Ms. Chandra said.

Over the course of the crisis, Ms. Chandra said the country's debt ratio largely increased, although it is still below the median for its BBB-rated peers.

The country's debt-to-GDP ratio stood at 63.1% as of end-September, based on data from the Bureau of the Treasury. This is the highest in 16 years or since the 65.7% seen in 2005.

In July 2021, the debt watcher revised its outlook for the Philippine investment grade "BBB" sovereign rating to "negative" from "stable," which means there could be a down-grade in the next 12 to 18 months.

"The macro-policy framework, and how prudent the government is with respect to fiscal management, that's an important driver of rating and the outlook for the Philippines, especially given the increase in debt levels," she said.

Ms. Chandra said they will also await the outcome of the May presidential elections for clarity on the economic recovery outlook.

The ratings agency expects the GDP to grow by 6.8% this year, which is below the government's 7-9% target.

"We'll have to assess what the policy outlook is post-elections and what it means for overall fiscal as well as the recovery prospects for the Philippines," she said.

BANK PROFITS

Separately, credit raters expect the local banking sector to recover this year as profits improve despite the pandemic and the likely increase in interest rates.

The gradual improvement of the economy this year

Several bills related to online workers are pending in Congress, including the Philippine Digital Workforce Competitiveness Act that would help improve digital training, and the Freelancers Protection Act that would give them the right to social welfare benefits and simplified tax registration. The National Digital Careers Act would roll out subsidies, scholarships, and incentives for digital work. — **Jenina P. Ibañez**

will in turn improve prospects for the banking industry, said Tamma Febrian, associate director, and Willie Tanoto, director of the Asia-Pacific banking team of Fitch Ratings.

"The more supportive operating environment should buoy business and consumer demand, and drive credit costs lower for most banks, aiding their overall profitability," the analysts said in an e-mail.

"Nonperforming loans (NPL) formation appears to have also slowed down in the last few months of 2021, owing to the opening up of the economy, and we expect it to stabilize in the near term," they added.

The bad loan ratio in November stood at 4.35%, the lowest in eight months or since the 4.21% in March 2021, as the banks' loan portfolio expanded.

It helped that the industry has ample capitalization which "provided cushion" for credit losses, S&P Global Ratings associate director Nikita Anand said.

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Manulife China Bank LIFE ASSURANCE CORPORATION			
Dual Pricing Investment Funds of Variable Life Insurance Contracts			
Fund	Unit Bid Price		
	Current Week, January 18, 2022	Previous Week, January 11, 2022	
Peso Bond Fund	2.039	2.026	
Peso Stable Fund	1.928	1.916	
Peso Equity Fund	2.020	2.000	
Peso Balanced Fund	1.052	1.042	
Peso Cash Fund	0.828	0.822	
Peso Target Income Fund	0.841	0.835	
U.S. Dollar Bond Fund	1.737	1.751	

Manulife China Bank LIFE ASSURANCE CORPORATION			
Single Pricing Investment Funds of Variable Life Insurance Contracts			
Fund	Unit Price		
	Current Week, January 18, 2022	Previous Week, January 11, 2022	
Peso Secura Fund	1.729	1.718	
Peso Diversified Value Fund	1.681	1.679	
Peso Growth Fund	2.923	2.895	
Peso Dynamic Allocation Fund	1.037	1.038	
Peso Target Distribution Fund	0.844	0.808	
Peso Cash Fund	0.822	0.822	
Peso Wealth Optimizer 2028 Fund	0.911	0.904	
Peso Wealth Optimizer 2031 Fund	0.872	0.864	
Peso Wealth Optimizer 2034 Fund	0.854	0.846	
Peso Wealth Fund	0.857	0.850	
USD Secura Fund	1.681	1.675	
USD Asia Pacific Bond Fund	1.106	1.107	
USD Global Target Income Fund	0.878	0.874	
USD ASEAN Growth Fund	1.056	1.058	
Chinaweb Dollar Fixed Income VLS Fund	1.093	1.101	
USD Asia Fixed Fund	1.434	1.426	
USD Asia Pacific Property Income Fund	0.828	0.843	
PMP Asia Pacific Property Income Fund	0.850	0.818	
PMP Tiger Growth Fund	0.852	0.843	
USD Tiger Growth Fund	0.790	0.790	
PMP Global Preferred Securities Income Fund	1.024	1.025	
USD Global Preferred Securities Income Fund	0.973	0.962	
PMP US Growth Fund	1.139	1.123	
USD US Growth Fund	1.081	1.047	

Manulife			
Dual Pricing Investment Funds of Variable Life Insurance Contracts			
Fund	Unit Bid Price		
	Current Week, January 18, 2022	Previous Week, January 11, 2022	
Peso Bond Fund	2.940	2.921	
Peso Stable Fund	2.907	2.888	
Peso Equity Fund	2.237	2.214	
Peso Balanced Fund	1.064	1.054	
Peso Target Income Fund	0.836	0.830	
U.S. Dollar Bond Fund	2.403	2.426	

Manulife			
Single Pricing Investment Funds of Variable Life Insurance Contracts			
Fund	Unit Price		
	Current Week, January 18, 2022	Previous Week, January 11, 2022	
Peso Secura Fund	1.729	1.718	
Peso Diversified Value Fund	1.621	1.609	
Peso Growth Fund	2.968	2.963	
Peso Dynamic Allocation Fund	1.041	1.032	
Peso Target Distribution Fund	0.820	0.815	
Peso Cash Fund	1.016	1.016	
Peso Wealth Optimizer 2028 Fund	0.907	0.899	
Peso Wealth Optimizer 2031 Fund	0.828	0.823	
Peso Wealth Optimizer 2034 Fund	0.821	0.812	
Peso Wealth Fund	0.896	0.889	
Empower Fund	0.916	0.905	
USD Secura Fund	1.684	1.700	
USD Asia Pacific Bond Fund	1.131	1.132	
USD Global Target Income Fund	0.876	0.871	
USD ASEAN Growth Fund	1.079	1.090	
USD Asia Pacific Property Income Fund	0.824	0.842	
PMP Asia Pacific Property Income Fund	0.837	0.805	
PMP Tiger Growth Fund	0.842	0.833	
USD Tiger Growth Fund	0.780	0.770	
PMP Global Preferred Securities Income Fund	1.042	1.063	
USD Global Preferred Securities Income Fund	0.971	0.960	
PMP US Growth Fund	1.165	1.148	
USD US Growth Fund	1.063	1.047	