SECOND QUARTER 2019 RESULTS

AUGUST 8, 2019

SAFE HARBOR DISCLOSURE

Please review our SEC filings on Form 10-K and Form 10-Q

The statements contained herein that are not historical facts are forward-looking statements, including, but not limited to, statements about: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those related to releases of products and services and restructuring activities; (3) statements of future financial or operating performance, including the impact of tax items thereon; and (4) statements of assumptions underlying such statements. The company generally uses words such as "outlook," "forecast," "will," "could," "should," "would," "to be," "plan," "plans," "believes," "may," "might," "expects," "intends," "intends as," "anticipates," "estimate," "future," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming," and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risks, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict.

We caution that a number of important factors could cause our actual future results and other future circumstances to differ materially from those expressed in any forward-looking statements. Such factors include, but are not limited to: our ability to consistently deliver popular, high-quality titles in a timely manner; our ability to satisfy the expectations of consumers with respect to our brands, games, services, and/or business practices; concentration of revenue among a small number of titles; the continued growth in the scope and complexity of our business, including the diversion of management time and attention to issues relating to the operations of our newly acquired or started businesses and the potential impact of our expansion into new businesses on our existing businesses; our ability to realize the expected financial and operational benefits of, and effectively manage, our recently announced restructuring plans; increasing importance of revenues derived from digital distribution channels; risks associated with the retail sales business model; substantial influence of third-party platform providers over our products and costs; success and availability of video game consoles manufactured by third parties; risks associated with the free-to-play business model, including dependence on a relatively small number of consumers for a significant portion of revenues and profits from any given game; risks and costs associated with legal proceedings; changes in tax rates or exposure to additional tax liabilities, as well as the outcome of current or future tax disputes; rapid changes in technology and industry standards; competition, including from other forms of entertainment; our ability to sell products at assumed pricing levels; our ability to attract, retain, and motivate skilled personnel; reliance on external developers for development of some of our software products; the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt; counterparty risks relating to customers, licensees, licensors, and manufacturers; intellectual property claims; piracy and unauthorized copying of our products; risks and uncertainties of conducting business outside the U.S.; fluctuations in currency exchange rates; increasing regulation of our business, products, and distribution in key territories; compliance with continually evolving laws and regulations concerning data privacy; potential data breaches and other cybersecurity risks; and the other factors identified in "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

The forward-looking statements herein are based on information available to the company at this time and we assume no obligation to update any such forward-looking statements. Although these forward-looking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from current expectations.

USE OF NON-GAAP MEASURES

As a supplement to our financial measures presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), Activision Blizzard presents certain non-GAAP measures of financial performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the company's results of operations as determined in accordance with GAAP.

Activision Blizzard provides net income (loss), earnings (loss) per share and operating margin data and guidance both including (in accordance with GAAP) and excluding (non-GAAP) certain items. When relevant, the company also provides constant FX information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. In addition, Activision Blizzard provides EBITDA (defined as GAAP net income (loss) before interest (income) expense, income taxes, depreciation and amortization) and adjusted EBITDA (defined as non-GAAP operating margin (see non-GAAP financial measure below) before depreciation). The non-GAAP financial measures exclude the following items, as applicable in any given reporting period and our outlook:

- expenses related to share-based compensation;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to the King acquisition, including related debt financings, and refinancing of long-term debt, including penalties and the write off of unamortized discount and deferred financing costs;
- restructuring and related charges;
- other non-cash charges from reclassification of certain cumulative translation adjustments into earnings as required by GAAP;
- the income tax adjustments associated with any of the above items (tax impact on non-GAAP pre-tax income is calculated under the same accounting principles applied to the GAAP pre-tax income under ASC 740, which employs an annual effective tax rate method to the results); and
- significant discrete tax-related items, including amounts related to changes in tax laws (including the Tax Cuts and Jobs Act enacted in December 2017), amounts related to the potential or final resolution of tax positions, and other unusual or unique tax-related items and activities.

In the future, Activision Blizzard may also consider whether other items should also be excluded in calculating the non-GAAP financial measures used by the company. Management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure Activision Blizzard's financial and operating performance. In particular, the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Activision Blizzard by excluding certain items that may not be indicative of the company's core business, operating results or future outlook. Additionally, we consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Internally, management uses these non-GAAP financial measures, along with others, in assessing the company's operating results, and measuring compliance with the requirements of the company's debt financing agreements, as well as in planning and forecasting.

Activision Blizzard's non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and the terms non-GAAP net income, non-GAAP earnings per share, non-GAAP operating margin, and non-GAAP or adjusted EBITDA do not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but exclude different items, which may not provide investors a comparable view of Activision Blizzard's performance in relation to other companies.

Management compensates for the limitations resulting from the exclusion of these items by considering the impact of the items separately and by considering Activision Blizzard's GAAP, as well as non-GAAP, results and outlook, and by presenting the most comparable GAAP measures directly ahead of non-GAAP measures, and by providing a reconciliation that indicates and describes the adjustments made.

SECOND QUARTER 2019 RESULTS

Better-than-expected Q2 financial results:

- Q2 GAAP revenues of $1.40B versus guidance of $1.32B
- Q2 GAAP EPS of $0.43 versus guidance of $0.21
- Q2 non-GAAP EPS of $0.53 versus guidance of $0.35
- Q2 net bookings[1] of $1.21B versus guidance of $1.15B

Raising full year EPS guidance:

- Expect 2019 GAAP revenues of $6.19B, including GAAP deferrals of $110M, and GAAP EPS of $1.41
- Expect 2019 non-GAAP EPS of $2.02, including GAAP deferrals of $0.13
- Expect 2019 net bookings[1] of $6.30B

Key highlights:

- Outperformed our second-quarter outlook, reflecting strong creative and commercial execution
- Prioritized investments in our key franchises so that our creative teams can better serve their player communities
- Drove ongoing momentum in our esports and advertising initiatives

[1] Net bookings is an operating metric that is defined as the net amount of products and services sold digitally or sold-in physically in the period, and includes license fees, merchandise, and publisher incentives, among others and is equal to net revenues plus the impact from deferrals.

SECOND QUARTER PROGRESS AGAINST OUR PLAN

Our Long-term Growth Pillars

Major Content Releases	Live Operations	Franchise Expansion onto Mobile	New Engagement Models

2019 Priorities

Across **Call of Duty®**, **Candy Crush™**, **Warcraft®**, **Hearthstone®**, **Overwatch®,** and **Diablo®**, we are expanding our development teams and resources so that we can accelerate the delivery of content in our pipeline, pursue new business models, broaden our communities, and delight our players.

We saw encouraging early progress in several of our flagship franchises, with new in-game content reinvigorating our communities and delivering improved Q2 trends.

AUDIENCE REACH

	Activision	Blizzard	King	Overall
Q2 MAUs[1]:	37M	32M	258M	327M

Details:	
Call of Duty	• **Call of Duty: Black Ops 4** MAUs[1] grew Y/Y versus **WWII** throughout the quarter, as the community embraced new in-game content • Additionally **Black Ops 4** hours played grew over 50% Y/Y versus **WWII**
Crash Bandicoot	• **Crash™ Team Racing: Nitro-Fueled** enjoyed positive critical reviews and strong sales, particularly through digital channels
Hearthstone	• **Hearthstone** MAUs[1] increased Q/Q following the release of the **Rise of Shadows™** expansion and deeper, more engaging new single-player content in the quarter
Overwatch	• **Overwatch** MAUs[1] were relatively stable Q/Q, with engagement increasing following the release of the Workshop
World of Warcraft	• **World of Warcraft®** subscribers increased since mid-May, following the release date announcement and beta for **World of Warcraft Classic** and the **Rise of Azshara™** update
Candy Crush	• As with last quarter, **Candy Crush** franchise MAUs[1] grew Y/Y, driven by growth in the original **Candy Crush Saga™** and the addition of **Candy Crush Friends Saga™**

[1] MAUs defined as number of individuals who accessed a particular game in a given month averaged across the number of months in a respective period. Refer to the definition included in today's earnings release for additional details.

DEEP ENGAGEMENT

Details:

- The King network continued to engage deeply, with total time spent in the **Candy Crush** franchise growing strongly Y/Y

- **Call of Duty** franchise total hours played grew double-digits Y/Y

- At Blizzard, daily time spent per player increased Y/Y

- Overwatch League™ hours viewed continued to grow Y/Y in the two stages held during Q2
- Season to date, viewership and average minute audience have grown double digits Y/Y

- Call of Duty World League showed continued momentum, with average minute audience for the two events in Q2 growing approximately 50% year-over-year

PLAYER INVESTMENT

Details:	
	• Activision Blizzard delivered approximately $800M of in-game net bookings[1] in Q2
	• **Candy Crush** was the top-grossing franchise in the US app stores in the quarter, a lead position it has held for the last two years[2] • Advertising in the King network continued to ramp, with net bookings[1] growing Q/Q and doubling Y/Y
	• **Hearthstone** net bookings[1] grew Q/Q following the release of **Rise of Shadows** and the introduction of paid single-player game content, also outperforming last Q4's expansion • While the competitive environment is increasingly challenging, we see substantial opportunities ahead for the **Hearthstone** franchise
	• For **Call of Duty Black Op 4**, net bookings[1] from in-game items grew Y/Y versus **WWII** and are ahead of **WWII** on a comparable life-to-date basis

[1] Net bookings is an operating metric that is defined as the net amount of products and services sold digitally or sold-in physically in the period, and includes license fees, merchandise, and publisher incentives, among others and is equal to net revenues plus the impact from deferrals.
[2] U.S. ranking for Apple App Store and Google Play Store combined, per App Annie Intelligence for second quarter of 2019.

SECOND QUARTER 2019 SEGMENT RESULTS

	ACTIVISION	BLIZZARD ENTERTAINMENT	King
Q2 Segment Net Revenues:	**$268M**	**$384M**	**$499M**
Q2 Segment Operating Income:	**$55M** ***21% operating margin***	**$75M** ***20% operating margin***	**$171M** ***34% operating margin***
Key Highlights:	• Revenues lower Y/Y against a comparable period that included Destiny • Key contributors were **Call of Duty** in-game revenues and the successful launch of **Crash Team Racing: Nitro-Fueled** • Operating margin was 4 pp lower Y/Y due to lower revenue and mix effects	• Revenues and operating income declined Y/Y, reflecting lower in-game revenues • Operating margin fell Y/Y, with the revenue decline partially offset by lower costs	• Revenues roughly flat Y/Y and modestly higher in constant currency • **Candy Crush** franchise net bookings[1] grew Y/Y with the ads business doubling over the same period • Operating margin was flat Y/Y

[1] Net bookings is an operating metric that is defined as the net amount of products and services sold digitally or sold-in physically in the period, and includes license fees, merchandise, and publisher incentives, among others and is equal to net revenues plus the impact from deferrals.

Note: These segment results are consistent with how we report our U.S. GAAP segment results externally in the footnotes to our financial statements. The segment performance is exclusive of the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled products, share-based compensation expense, amortization of intangible assets as a result of purchase price accounting, fees and other expenses related to financings and acquisitions, including integration activities, certain restructuring costs, and other non-cash charges. Reconciliation of our segment results to our consolidated results is included in the earnings release dated August 8, 2019, which is available on www.activisionblizzard.com.

SECOND QUARTER 2019 RESULTS

	Q2 2018 Actual			Prior Q2 2019 Outlook[1]			Q2 2019 Actual		
	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals
Net Revenues	**$1,641M**	**$1,641M**	**($256M)**	**$1,315M**	**$1,315M**	**($165M)**	**$1,396M**	**$1,396M**	**($189M)**
Digital Revenues %	77%	77%					78%	78%	
Operating Income	$434M	$568M	($182M)				$336M	$443M	($135M)
Operating Margin	26%	35%		16%	26%	(6 pp)	24%	32%	
Interest and Other Expense (Income)[3]	$26M	$25M		-	-		($34M)	($34M)	
EPS	**$0.52**	**$0.62**	**($0.21)**	**$0.21**	**$0.35**	**($0.12)**	**$0.43**	**$0.53**	**($0.15)**
Total Share Count for EPS	770M	770M		771M	771M		770M	770M	

	Q2 2018 Actual	Prior Q2 2019 Outlook[1]	Q2 2019 Actual
Operating Cash Flow	**$9M**		**$154M**
Free Cash Flow[4]	**($21M)**		**$127M**
Net Bookings (operating metric)[5]	**$1,385M**	**$1,150M**	**$1,207M**

[1] Prior outlook provided May 2, 2019.
[2] Non-GAAP reconciliations are in the earnings releases dated August 2, 2018, May 2, 2019, and August 8, 2019, which are available on www.activisionblizzard.com.
[3] For Q2 2019, includes a $38M unrealized gain on an investment in equity securities. Refer to our Q2 2019 form 10-Q for further details.
[4] Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.
[5] Net bookings is an operating metric that is defined as the net amount of products and services sold digitally or sold-in physically in the period, and includes license fees, merchandise, and publisher incentives, among others and is equal to net revenues plus the impact from deferrals.

BALANCE SHEET AS OF JUNE 30, 2019

Q2 adjusted EBITDA of $475M; dividend of $0.37 per share paid on May 9, 2019

	6/30/2018	3/31/2019	6/30/2019
Cash and investments	**$4.98B**	**$4.84B**	**$4.68B**
Term loans	$0.99B	-	-
Notes[1]	$3.45B	$2.70B	$2.70B
Gross Debt	**$4.44B**	**$2.70B**	**$2.70B**
Net Cash[2]	**$0.54B**	**$2.14B**	**$1.98B**
Adjusted TTM EBITDA[3]	**$2,477M**	**$2,689M**	**$2,561M**
Gross Debt / Adj. TTM EBITDA[3]	1.8x	1.0x	1.1x

[1] As of 6/30/19, includes notes for the maturity dates of 2021, 2022, 2026, 2027, and 2047.
[2] Net cash is defined as cash and cash equivalents, short-term investments and long-term investments minus gross debt.
[3] Adjusted TTM EBITDA, for any given date, is calculated as non-GAAP operating income plus depreciation for the trailing twelve months.

FINANCIAL OUTLOOK AS OF AUGUST 8, 2019

	Q3 2019			2019		
	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]
Net Revenues	**$1,105M**	**$1,105M**	**($5M)**	**$6,190M**	**$6,190M**	**$110M**
Product Costs, Game Ops & Distribution	29%	29%		24%	24%	
Operating Expenses, Incl. SW Amort[3]	66%	53%		54%	45%	
Operating Margin[4]	5%	18%	(1 pp)	22%	31%	1 pp
Interest and Other Expense (Income)	-	-		($29M)	($31M)	
Tax Rate	23%	20%	-	22%	20%	-
EPS	**$0.05**	**$0.20**	**-**	**$1.41**	**$2.02**	**$0.13**
Fully Diluted Weighted Avg. Shares[5]	772M	772M		774M	774M	

	Q3 2019	2019
Net Bookings (operating metric)[6]	**$1,100M**	**$6,300M**

Currency Assumptions for Current 2019 Outlook:

- *$1.15 USD/Euro (vs. $1.12 avg. for 2018, $1.12 for 2017, & $1.11 for 2016)*
- *$1.24 USD/GBP (vs. $1.30 avg. for 2018, $1.30 for 2017, & $1.36 for 2016)*
- *Note: Our financial guidance includes the forecasted impact of our FX hedging program*

[1] Non-GAAP reconciliations are in the earnings release dated August 8, 2019, which is available on www.activisionblizzard.com. For 2019, GAAP outlook includes restructuring charge of approximately $50M for Q3 and approximately $150M for the full year.
[2] Net effect of revenue deferral accounting treatment on certain of our online enabled products.
[3] Includes expenses related to product development, sales & marketing, and general & administrative, as well as software amortization & IP licenses costs.
[4] May not recalculate due to rounding.
[5] Including fully diluted shares based on average share price.
[6] Net bookings is an operating metric that is defined as the net amount of products and services sold digitally or sold-in physically in the period, and includes license fees, merchandise, and publisher incentives, among others and is equal to net revenues plus the impact from deferrals.

ACTIVISION | BLIZZARD

Q&A

AUGUST 8, 2019