



Third Quarter 2017 Results

November 2, 2017

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; (3) statements of future financial or operating performance; 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.

The company cautions that a number of important factors could cause Activision Blizzard's 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: sales levels of Activision Blizzard’s titles, products and services; concentration of revenue among a small number of titles; Activision Blizzard’s ability to predict consumer preferences, including interest in specific genres, and preferences among platforms; the diversion of management time and attention to issues relating to the operations of our acquired or newly started businesses; the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt; the adoption rate and availability of new hardware (including peripherals) and related software; counterparty risks relating to customers, licensees, licensors and manufacturers; maintenance of relationships with key personnel, customers, financing providers, licensees, licensors, manufacturers, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high-quality titles, products and services; risks relating to the expansion into new businesses, including the potential impact on our existing businesses; changing business models within the video game industry, including digital delivery of content and the increased prevalence of free-to-play games; product delays or defects; competition, including from other forms of entertainment; rapid changes in technology and industry standards; possible declines in software pricing; product returns and price protection; the identification of suitable future acquisition opportunities and potential challenges associated with geographic expansion; the seasonal and cyclical nature of the interactive entertainment market; the outcome of current or future tax disputes; litigation risks and associated costs; protection of proprietary rights; shifts in consumer spending trends; capital market risks; the impact of applicable regulations; domestic and international economic, financial and political conditions and policies; tax rates and foreign exchange rates; the impact of the current macroeconomic environment; 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, 2016.

The forward-looking statements contained 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 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 stock-based compensation;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to the King acquisition, inclusive of related debt financings, and refinancing of long-term debt, including penalties and the write off of unamortized discount and deferred financing costs;
- restructuring charges;
- other non-cash charges from reclassification of certain cumulative translation adjustments into earnings as required by GAAP; and
- 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).

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. 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.

Better-Than-Expected Results

Raising full-year guidance

Record and better-than-expected Q3 and YTD financial results:

- Q3 record GAAP revenues of \$1.6B versus guidance of \$1.4B
- Q3 GAAP EPS of \$0.25 versus guidance of \$0.09
- Q3 non-GAAP¹ EPS of \$0.47 versus guidance of \$0.34
- Record year-to-date revenues and EPS

Raising full year guidance:

- Increasing 2017 GAAP outlook to revenues of \$6.675B, with net deferrals of \$175M, and GAAP EPS of \$1.22
- Increasing 2017 non-GAAP¹ outlook to EPS of \$2.08, with net deferrals of \$0.08

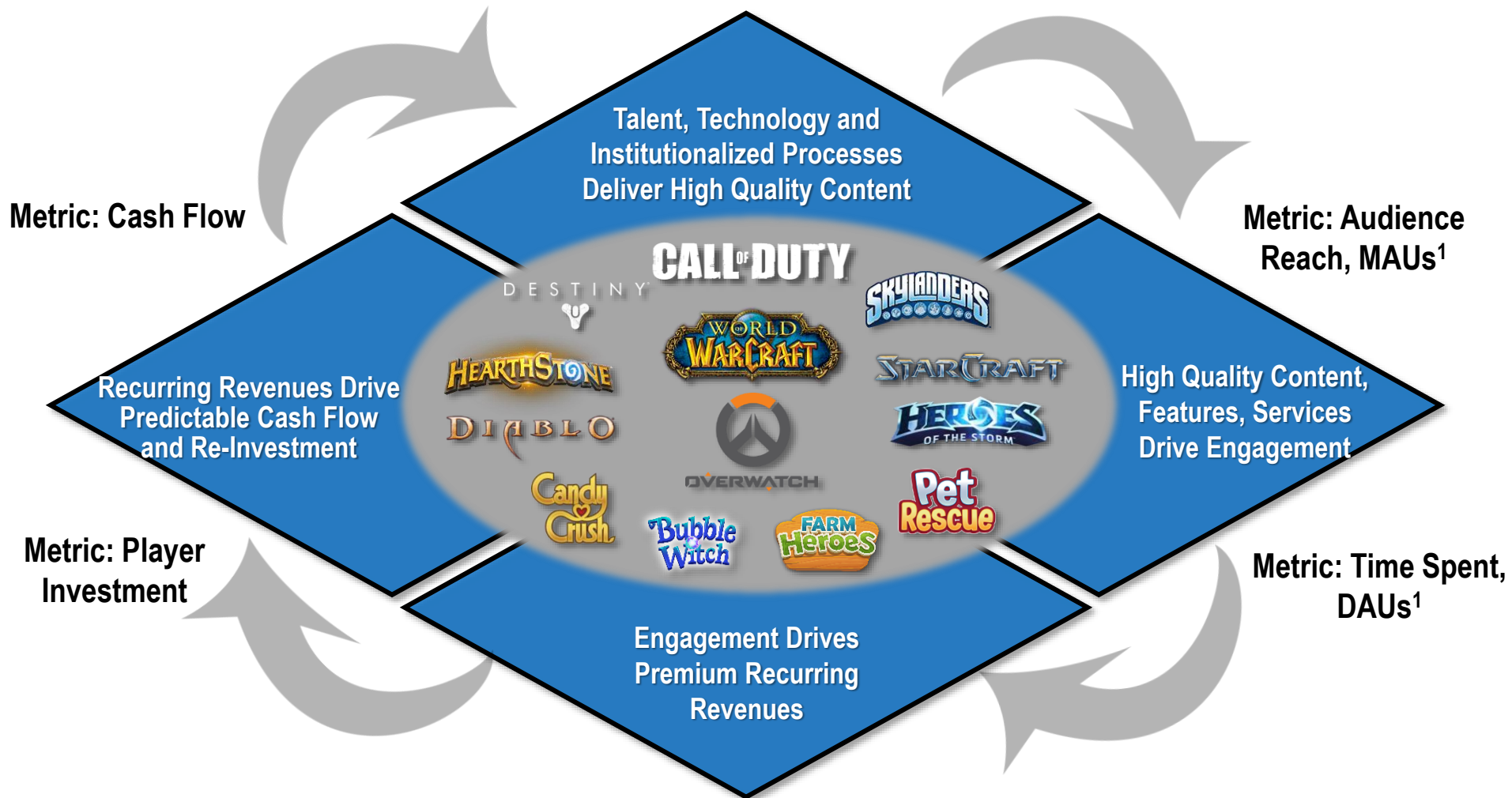
Key highlights:

- New milestone for daily time spent per user of over 50 minutes, in line with some of the most engaging online connected platforms in the world
- BlizzCon, drawing 30,000+ in person and millions online, kicks off tomorrow and reflects the scale and diversity of the broader opportunities open to the company today
- The Overwatch League regular season kicks off January 10 with 12 inaugural teams; groundbreaking sponsorship deals with HP and Intel
- Activision Blizzard recognized in the top 10 of Fortune's first ever Future 50 list recognizing the world's most innovative companies

¹ Non-GAAP reconciliations are in the earnings release dated November 2, 2017, which is available on www.activisionblizzard.com.

Strategic Focus on Franchises

We relentlessly focus on building reach, engagement, and player investment



¹ Monthly Active Users (MAUs) defined as number of individuals who played 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. Daily Active Users (DAUs) defined and calculated the same as MAUs, but on a daily basis.

Audience Reach

384M MAUs¹ in the quarter across the company

Q3 MAUs¹

Activision	Blizzard	King
49M (Q3 record)	42M (Q3 record)	293M

Details:



- **Destiny 2** is the best-selling console game year-to-date in the U.S.², and after the PC launch, is now ahead of Destiny 1 on total consumer spend, time spent per player, attach rate to the Expansion Pass, and average revenue per user for add-on content
- Full-game downloads for **Destiny 2** were over 50% of console sell-through units



- **Call of Duty** achieved record Q3 franchise MAUs¹
- **Call of Duty** has been the number one console franchise world-wide for 7 of the last 8 years and we expect to continue that streak this year²
- **Call of Duty: WWII** pre-orders have been strong, with a higher digital mix vs. prior years



- MAUs¹ for both **Overwatch** and **Hearthstone** grew Y/Y
- The **Overwatch** community grew to over 35M registered players



- King continues to deliver more content at a faster rate, driving success with live ops and new features. The frequency with which players returned to play and time spent per player are at record highs

¹ MAUs defined as number of individuals who played 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. ² Per NPD, GfK, GSD, and internal estimates.

Deep Engagement

Achieved time spent per day of 50+ mins, in line w/ most engaging online connected platforms

Details:



- **Overwatch** had a Summer Games seasonal event in August and a Halloween Terror event in October, driving strong engagement and participation in customization items



- **Hearthstone's** time spent rose by double-digits Y/Y with the successful launch of the latest expansion, **Knights of the Frozen Throne**, the franchise's best performing expansion to date



- **World of Warcraft** released a large content update in the quarter, leading to stable MAUs¹ Q/Q, with strong participation in value added services



- The 12 inaugural **Overwatch League** teams have unveiled their names and logos; fans will be able to celebrate their favorite teams through both physical and in-game merchandise
- The **Overwatch** game team is refining & innovating the viewing experience to make the game even more fun to watch, including in-game hero jerseys and improved camera angles



- **Call of Duty World League's** upcoming season features the largest prize pool in franchise history

¹ MAUs is defined as number of individuals who played 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.

Providing More Opportunity for Player Investment

Delivered record Q3 of over \$1B in GAAP in-game revenues and record YTD performance

Details:



- Gross bookings¹ per paying user has increased nine quarters in a row to a new record
- The number of paying players also rose for the first time since Q1 of 2016
- King was the #1 mobile publisher in the U.S.
- King had 2 of the top-10 grossing games in the U.S., for four consecutive years²
- **Candy Crush Saga**, celebrating its 5th anniversary, returned to the #1 position on iOS and Android app stores for the quarter in the U.S.²
- **Candy Crush** franchise gross bookings¹ were up 17% Q/Q and 22% Y/Y, bringing the franchise back to its strongest gross bookings¹ quarter since Q4 2013
- King is making progress on a pipeline of new games for next year and beyond



- Both Activision & Blizzard delivered strong library remastered performance with Activision's **Crash Bandicoot**, **Modern Warfare Remastered**, and Blizzard's **StarCraft Remastered**






- Activision has continued to introduce content and feature updates into **Call of Duty: Black Ops III**, which has resulted in strong engagement and relatively stable sequential in-game purchases this quarter

¹ Gross bookings is an operating metric reflecting the total price paid by players, which includes indirect taxes (sales tax or value added tax, etc.), platform providers fees, and King's share of revenues. ² Publisher ranking for U.S. Apple App Store and Google Play Store per App Annie Intelligence for Q3 2017; 2 of-top 10 grossing games for U.S. only for 4 trailing twelve month periods

Third Quarter Segment Results

Ongoing pipeline of content, services, and features led to over-performance

			
Segment Net Revenues:	\$759M	\$531M	\$528M
Segment Operating Income:	\$261M	\$168M	\$208M
Segment Operating Margin:	34%	32%	39%
	<ul style="list-style-type: none"> Record Q3 segment revenue and OI, doubled Y/Y, driven by Destiny 2, COD updates, and library momentum Record Q3 segment operating margin Record YTD segment revenue and OI 	<ul style="list-style-type: none"> Record Q3 MAUs¹ Strength across Overwatch, World of Warcraft, and Hearthstone franchises Revenues and OI down Y/Y given comp to last year's WoW expansion and Overwatch full game sales 	<ul style="list-style-type: none"> Segment revenues, OI and margin all grew Y/Y and Q/Q Segment revenues have grown for the third consecutive quarter and is the highest in 10 quarters Achieved record mobile gross bookings²

¹ MAUs is defined as number of individuals who played 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. ² Gross bookings is an operating metric reflecting the total price paid by players, which includes indirect taxes (sales tax or value added tax, etc.), platform providers fees, and King's share of revenues. Note: Segment results here 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 November 2, 2017, which is available on www.activisionblizzard.com.

Third Quarter 2017 Results

Better-than-expected results with record Q3 revenues

	Q3 2016 Actual			Prior Q3 2017 Outlook ¹			Q3 2017 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	\$1,568M	\$1,568M	\$62M	\$1,385M	\$1,385M	\$315M	\$1,618M	\$1,618M	\$284M
Digital Revenues %	86%	86%					84%	84%	
Operating Income	\$294M	\$542M	\$33M				\$257M	\$493M	\$132M
Operating Margin	19%	35%		10%	28%		16%	30%	
Interest Expense from Debt ³	\$64M	\$52M		\$41M	\$40M		\$41M	\$40M	
EPS	\$0.26	\$0.49	\$0.03	\$0.09	\$0.34	\$0.11	\$0.25	\$0.47	\$0.13
Total share count for EPS ⁴	758M	758M		766M	766M		766M	766M	
Operating Cash Flow	\$456M						\$379M		
Free Cash Flow⁵	\$428M						\$345M		

¹Prior outlook provided August 3, 2017. ²Non-GAAP reconciliations are in the earnings releases dated August 3, 2017 and November 2, 2017, which are available on www.activisionblizzard.com. ³Includes a \$10M loss on extinguishment of debt recognized in Q3 2016 GAAP actual results for the refinancing of our term loan. ⁴Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. ⁵Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Year-to-Date 2017 Results

Record year-to-date revenues and EPS

	YTD 2016 Actual			YTD 2017 Actual		
	GAAP	Non-GAAP ¹	Impact of GAAP deferrals	GAAP	Non-GAAP ¹	Impact of GAAP deferrals
Net Revenues	\$4,594M	\$4,594M	(\$447M)	\$4,974M	\$4,974M	(\$458M)
Digital Revenues %	74%	74%		81%	81%	
Operating Income	\$987M	\$1,643M	(\$228M)	\$1,088M	\$1,816M	(\$370M)
Operating Margin	21%	36%		22%	37%	
Interest Expense from Debt ²	\$184M	\$169M		\$133M	\$115M	
EPS	\$0.94	\$1.52	(\$0.23)	\$1.12	\$1.73	(\$0.39)
Total share count for EPS ³	756M	756M		764M	764M	
Operating Cash Flow		\$1,296M			\$1,055M	
Free Cash Flow⁴		\$1,197M			\$969M	

¹ Non-GAAP reconciliations are in the earnings release dated November 2, 2017, which is available on www.activisionblizzard.com. ² Includes a \$10M and \$12M loss on extinguishment of debt recognized in YTD 2016 and 2017 GAAP actual results, respectively, for the refinancing of our term loan. ³ Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. ⁴ Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Balance Sheet

Q3 adjusted EBITDA of \$526M

	9/30/16	6/30/17	9/30/17
Cash and investments	\$4.07B	\$3.29B	\$3.67B
Term loans	\$2.69B	\$0.99B	\$0.99B
Notes ¹	\$3.75B	\$3.45B	\$3.45
Gross Debt	\$6.44B	\$4.44B	\$4.44
Net Debt ²	\$2.37B	\$1.15B	\$0.77B
Adjusted TTM EBITDA ³	\$2,039M	\$2,678M	\$2,630M
Gross Debt / Adj. TTM EBITDA ³	3.2x	1.7x	1.7x
Net Debt ² / Adj. TTM EBITDA ³	1.2x	0.4x	0.3x

¹ As of 9/30/17, includes notes for the maturity dates of 2021, 2022, 2023, 2026, 2027, and 2047.

² Net debt is defined as gross debt less cash and cash equivalents, short-term investments and long-term investments.

³ Adjusted TTM EBITDA, for any given date, is calculated as non-GAAP operating income plus depreciation for the trailing 12 months.

Financial Outlook as of November 2, 2017

Raising full year revenues and earnings outlook

	Q4 2017		2017		Impact of GAAP Deferrals ²	
	GAAP	Non-GAAP ¹	GAAP	Non-GAAP ¹	Q4 2017	2017
Net Revenues	\$1,700M	\$1,700M	\$6,675M	\$6,675M	\$635M	\$175M
COGS (Prod/Game Ops)	24%	24%	23%	23%		
Op Ex, incl. Royalties	67%	52%	58%	43%		
Operating Margin³	9%	24%	19%	33%		
Interest Expense from Debt	\$41M	\$41M	\$174M	\$156M		
Tax Rate	36%	27%	14%	24%		
EPS	\$0.10	\$0.36	\$1.22	\$2.08	\$0.46	\$0.08
Fully Diluted Weighted Avg. Shares ⁴	769M	769M	767M	767M		

Currency Assumptions for Current 2017 Outlook:

- \$1.12 USD/Euro (vs. \$1.11 avg. for 2016 & \$1.11 avg. for 2015)
- \$1.32 USD/GBP (vs. \$1.36 avg. for 2016 & \$1.53 avg. for 2015)
- Note: Our financial guidance includes the forecasted impact of the FX cash flow hedging program

¹ Non-GAAP reconciliations are in the earnings release dated November 2, 2017, which is available on www.activisionblizzard.com. ² Net effect of revenue deferral accounting treatment on certain of our online enabled products. ³ May not recalculate due to rounding. ⁴ Including fully diluted shares based on average share price.

A Portfolio of Compelling Franchises

Eight \$1B+ franchises across our portfolio of primarily owned IP

ACTIVISION

Record Q3 MAUs¹, revenues, OI, and operating margin; record YTD revenues and OI

CALL OF DUTY

DESTINY

SKYLANDERS

BILZARD ENTERTAINMENT

Record Q3 MAUs¹; the Overwatch League kicks off w/ 12 inaugural teams in 2018

WORLD OF WARCRAFT

HEARTHSTONE

OVERWATCH

DIABLO

STARCRRAFT

HEROES OF THE STORM

King

#1 mobile publisher in U.S.; 2 of top 10 grossing games on U.S. app stores for 4 years running²

Candy Crush

Pet Rescue

FARM HEROES

Bubble Witch

¹ MAUs is defined as number of individuals who played 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. ² Publisher ranking for U.S. Apple App Store and Google Play Store per App Annie Intelligence for Q3 2017; 2 of-top 10 grossing games for U.S. only for 4 trailing twelve month periods

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Q&A

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