

ACTIVISION BLIZZARD ANNOUNCES FIRST QUARTER 2022 FINANCIAL RESULTS

Santa Monica, CA – April 25, 2022 – Activision Blizzard, Inc. (Nasdaq: ATVI) today announced first quarter 2022 results.

Financial Metrics

| (in millions, except EPS) | Q1 | |
|---|-----------------|-----------------|
| | 2022 | 2021 |
| GAAP Net Revenues | \$1,768 | \$2,275 |
| <i>Impact of GAAP deferrals^A</i> | <i>\$(287)</i> | <i>\$(209)</i> |
| GAAP EPS | \$0.50 | \$0.79 |
| Non-GAAP EPS | \$0.64 | \$0.98 |
| <i>Impact of GAAP deferrals^A</i> | <i>\$(0.26)</i> | <i>\$(0.14)</i> |

Please refer to the tables at the back of this earnings release for a reconciliation of the company's GAAP and non-GAAP results.

For the quarter ended March 31, 2022, Activision Blizzard's net revenues presented in accordance with GAAP were \$1.77 billion, as compared with \$2.28 billion for the first quarter of 2021. GAAP net revenues from digital channels were \$1.59 billion. GAAP operating margin was 27%. GAAP earnings per diluted share was \$0.50, as compared with \$0.79 for the first quarter of 2021. On a non-GAAP basis, Activision Blizzard's operating margin was 34% and earnings per diluted share was \$0.64, as compared with \$0.98 for the first quarter of 2021.

Activision Blizzard generated \$642 million in operating cash flow for the quarter as compared with \$844 million for the first quarter of 2021.

Please refer to the tables at the back of this press release for a reconciliation of the company's GAAP and non-GAAP results.

Operating Metrics

For the quarter ended March 31, 2022, Activision Blizzard's net bookings^B were \$1.48 billion, as compared with \$2.07 billion for the first quarter of 2021. In-game net bookings^C were \$1.01 billion, as compared with \$1.34 billion for the first quarter of 2021.

For the quarter ended March 31, 2022, overall Activision Blizzard Monthly Active Users (MAUs)^D were 372 million.

Microsoft transaction

As announced on January 18, 2022, Microsoft plans to acquire Activision Blizzard for \$95.00 per share, in an all-cash transaction. The transaction is subject to customary closing conditions and completion of regulatory review and Activision Blizzard's stockholder approval. The transaction, which is expected to close in Microsoft's fiscal year ending June 30, 2023, has been approved by the boards of directors of both Activision Blizzard and Microsoft.

Conference Call and Earnings Presentation

In light of the proposed transaction with Microsoft, and as is customary during the pendency of an acquisition, Activision Blizzard will not be hosting a conference call, issuing an earnings presentation, or providing financial guidance in conjunction with its first quarter 2022 earnings release. For further detail and discussion of our financial performance please refer to our upcoming quarterly report on Form 10-Q for the quarter ended March 31, 2022.

Selected Business Highlights

Activision Blizzard continued to engage and connect its network of hundreds of million people worldwide in the first quarter. Financial performance declined year-over-year, primarily reflecting lower results for Call of Duty and product cycle timing at Blizzard, offsetting robust growth at King. The company incurred an increase in legal and other professional fees, primarily driven by costs associated with our proposed transaction with Microsoft. We continue to increase investment in our development resources in order to meet the demand from our players, and grew our developer headcount by several hundred people in the first quarter. Our teams are making strong progress on a broad pipeline of compelling content for established franchises, which we expect to drive renewed expansion in the business in the fourth quarter and longer term.

Activision Blizzard is committed to ensuring an inclusive and safe working environment for its employees, and in the first quarter continued to implement previously announced initiatives to strengthen its practices and policies. In March, the federal court approved the company's settlement with the EEOC, paving the way to compensate eligible complainants through an \$18 million fund. In April, the company announced the conversion of over 1,000 temporary workers to full-time employees, with most receiving increased wages and benefits. We also announced the appointment of Kristen Hines as the company's new Chief Diversity, Equity, and Inclusion Officer.

Activision

- **Call of Duty**[®] net bookings on console and PC declined year-over-year in the first quarter, reflecting lower premium sales for **Call of Duty: Vanguard** versus the year ago title and lower engagement in **Call of Duty: Warzone**[™]. **Call of Duty Mobile** net bookings were little changed year-over-year.

- The **Call of Duty** teams delivered substantial gameplay improvements for **Vanguard** and **Warzone** in the first quarter. Development on this year's premium and **Warzone** experiences, led by Infinity Ward, is proceeding very well. This year's Call of Duty is a sequel to 2019's **Modern Warfare**[®], the most successful **Call of Duty** title to date, and will be the most advanced experience in franchise history. The new free-to-play **Warzone** experience, which is built from the ground-up alongside the premium game, features groundbreaking innovations to be revealed later this year.
- Activision continued to rapidly expand its **Call of Duty** development resources in the first quarter. Its growing teams are focused on delivering even more compelling content to the community on PC and console, as well as expanding **Warzone** to the mobile platform.

Blizzard

- Blizzard's first quarter financial results were lower year-over-year, primarily reflecting product cycle timing for the **Warcraft**[®] franchise. Blizzard's teams reached important milestones across its key franchises in recent months, and the second quarter represents the start of a period of planned substantial releases across Blizzard's portfolio.
- Blizzard continues to work on numerous new experiences to delight and expand the **Warcraft** community. The newest **Hearthstone**[®] expansion, **Voyage to the Sunken City**[™], launched on April 12. Blizzard's teams are working on major new content for **World of Warcraft**[®] including **World of Warcraft: Dragonflight**, the innovative upcoming expansion for the modern game, and **World of Warcraft: Wrath of the Lich King**[®] **Classic**. Blizzard is also planning to unveil more details about its first **Warcraft** mobile experience in the coming weeks.
- **Diablo**[®] **Immortal**[™] will launch on June 2, 2022 in most regions around the world, with the remaining regions in Asia-Pacific gaining access a few weeks later. Over 30 million people have already pre-registered for the game. In addition to offering a deep, authentic, and free-to-play **Diablo** experience on the mobile platform, **Diablo Immortal** will also be available free-to-play on Windows[®] PC, initially as an open beta starting on June 2, 2022, and will support cross-play and cross-progression.
- Development on **Diablo 4** and **Overwatch**[®] **2** is also progressing well. Company-wide internal testing of **Diablo 4** is underway, and external testing of the player-versus-player mode of **Overwatch 2** begins tomorrow, April 26, 2022.

King

- King's teams continued to deliver compelling new content, features and events in the first quarter, driving year-over-year growth in engagement and player investment. King's in-game net bookings grew 8% year-over-year, driven by double-digit year-over-year growth for **Candy Crush**[™], King's largest franchise, in both cases building on strong growth in the prior year quarter.
- **Candy Crush** was the top-grossing game franchise in the U.S. app stores¹ for the 19th consecutive quarter.

- King's payer numbers again grew by a double-digit percentage year-over-year, driven by strong execution in Candy's features and live operations, effective user acquisition, and ongoing optimization of the **Candy Crush** in-game economy.
- King's advertising business continued to grow rapidly year-over-year, fueled by volume growth and ramping relationships with demand partners.

Balance Sheet and Dividend

- Cash and short-term investments at the end of the first quarter stood at \$11.1 billion, and Activision Blizzard ended the quarter with a net cash position of approximately \$7.5 billion.
- As previously announced, the Board of Directors has declared a cash dividend of \$0.47 per common share, payable on May 6, 2022 to shareholders of record at the close of business on April 15, 2022.

About Activision Blizzard

Our mission, to connect and engage the world through epic entertainment, has never been more important. Through communities rooted in our video game franchises we enable hundreds of millions of people to experience joy, thrill and achievement. We enable social connections through the lens of fun, and we foster purpose and a sense of accomplishment through healthy competition. Like sport, but with greater accessibility, our players can find purpose and meaning through competitive gaming. Video games, unlike any other social or entertainment media, have the ability to break down the barriers that can inhibit tolerance and understanding. Celebrating differences is at the core of our culture and ensures we can create games for players of diverse backgrounds in the 190 countries our games are played.

As a member of the Fortune 500 and as a component company of the S&P 500, we have an extraordinary track record of delivering superior shareholder returns for over 30 years.

Our enduring franchises are some of the world's most popular, including Call of Duty[®], Crash Bandicoot[™], Warcraft[®], Overwatch[®], Diablo[®], StarCraft[®], Candy Crush[™], Bubble Witch[™], Pet Rescue[™] and Farm Heroes[™]. Our sustained success has enabled the company to support corporate social responsibility initiatives that are directly tied to our franchises. As an example, our Call of Duty Endowment has helped find employment for over 90,000 veterans.

Learn more information about Activision Blizzard and how we connect and engage the world through epic entertainment on the company's website, www.activisionblizzard.com.

¹ Based on App Annie Intelligence.

^A Net effect of accounting treatment from revenue deferrals on certain of our online-enabled products. Since certain of our games are hosted online or include significant online functionality that represents a separate performance obligation, we defer the transaction price allocable to the online functionality from the sale of these games and then recognize the attributable revenues over the relevant estimated service periods, which are generally less than a year. The related cost of revenues is deferred and recognized as an expense as the related revenues are recognized. Impact from changes in deferrals refers to the net effect from revenue deferrals accounting treatment for the purposes of revenues, along with, for the purposes of EPS, the related cost of revenues deferrals treatment and the related tax impacts. Internally, management excludes the impact of this change in deferred revenues and related cost of revenues when evaluating the company's operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of its management team. Management believes this is appropriate because doing so enables an analysis of performance based on the timing of actual transactions with our customers. In addition, management believes excluding the change in deferred revenues and the related cost of revenues provides a much more timely indication of trends in our operating results.

^B 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 excluding the impact from deferrals.

^C In-game net bookings primarily includes the net amount of downloadable content and microtransactions sold during the period, and is equal to in-game net revenues excluding the impact from deferrals.

^D Monthly Active User ("MAU") Definition: We monitor MAUs as a key measure of the overall size of our user base. MAUs are the number of individuals who accessed a particular game in a given month. We calculate average MAUs in a period by adding the total number of MAUs in each of the months in a given period and dividing that total by the number of months in the period. An individual who accesses two of our games would be counted as two users. In addition, due to technical limitations, for Activision and King, an individual who accesses the same game on two platforms or devices in the relevant period would be counted as two users. For Blizzard, an individual who accesses the same game on two platforms or devices in the relevant period would generally be counted as a single user. In certain instances, we rely on third parties to publish our games. In these instances, MAU data is based on information provided to us by those third parties, or, if final data is not available, reasonable estimates of MAUs for these third-party published games.

Non-GAAP Financial 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, including liability awards accounted for under ASC 718;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to merger and acquisitions, 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, 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.

Cautionary Note Regarding Forward-looking Statements: 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 or services; (3) statements of future financial or operating performance, including the impact of tax items thereon; (4) statements regarding the proposed transaction between Activision Blizzard and Microsoft (such transaction, "the proposed transaction with Microsoft"), including any statements regarding the expected timetable for completing the proposed transaction with Microsoft, the ability to complete the proposed transaction with Microsoft, and the expected benefits of the proposed transaction with Microsoft; and (5) statements of assumptions underlying such statements. Activision Blizzard, Inc. generally uses words such as "outlook," "forecast," "will," "could," "should," "would," "to be," "plan," "aims," "believes," "may," "might," "expects," "intends," "seeks," "anticipates," "estimate," "future," "positioned," "potential," "project," "remain," "scheduled," "set to," "subject to," "upcoming," and the negative version of these words and other similar words and 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, many of which are beyond our control, 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: risk that the proposed transaction with Microsoft may not be completed in a timely manner or at all, which may adversely affect our business and the price of our common stock; the failure to satisfy the conditions to the consummation of the proposed transaction with Microsoft, including shareholder approval and the receipt of certain governmental and regulatory approvals; the occurrence of any event, change, or other circumstance that could give rise to the termination of the Agreement and Plan of Merger, dated as of January 18, 2022, by and among Activision Blizzard, Microsoft, and Anchorage Merger Sub Inc., a wholly owned subsidiary of Microsoft (the "Microsoft Merger Agreement"); the effect of the announcement or pendency of the proposed transaction with Microsoft on our business relationships, operating results, and business generally; risks that the proposed transaction with Microsoft disrupts our current plans and operations and potential difficulties in employee retention as a result of the proposed transaction with Microsoft; risks related to diverting management's attention from ongoing business operations; the outcome of any legal proceedings that have been or may be instituted against us related to the Microsoft Merger Agreement or the transactions contemplated thereby; restrictions during the pendency of the proposed transaction with Microsoft that may impact our ability to pursue certain business opportunities or strategic transactions; the potential for receipt of alternative acquisition proposals from potential acquirors; the global impact of the ongoing COVID-19 pandemic (including, without limitation, the potential for significant short- and long-term global unemployment and economic weakness and a resulting impact on global discretionary spending; potential strain on the retailers, distributors, and manufacturers who sell our physical products to customers and the platform providers on whose networks and consoles certain of our games are available; effects on our ability to release our content in a timely manner and with effective quality control; effects on our ability to prevent cybersecurity incidents while our workforce is disbursed; effects on the operations of our professional esports leagues; the impact of large-scale intervention by the Federal Reserve and other central banks around the world, including the impact on interest rates; increased demand for our games due to stay-at-home orders and curtailment of other forms of entertainment, which may not be sustained and may fluctuate as stay-at-home orders are reduced, lifted, and/or reinstated; macroeconomic impacts arising from the long duration of the COVID-19 pandemic, including labor shortages and supply chain disruptions; and volatility in foreign exchange rates); our ability to consistently deliver popular, high-quality titles in a timely manner, which has been made more difficult as a result of the COVID-19 pandemic; our ability to satisfy the expectations of consumers with respect to our brands, games, services, and/or business practices; negative impacts on our business from concerns regarding our workplace; our ability to attract, retain, and motivate skilled personnel; competition; concentration of revenue among a small number of franchises; negative impacts from unionization or attempts to unionize by our workforce; rapid changes in technology and industry standards; increasing importance of revenues derived from digital distribution channels; our ability to manage the continued growth in the scope and complexity of our business; substantial influence of third-party platform providers over our products and costs; success and availability of video game consoles manufactured by third parties, including our ability to predict the consoles that will be most successful in the marketplace and develop commercially-successful products for those consoles; risks associated with the free-to-play business model, including our dependence on a relatively small number of consumers for a significant portion of revenues and profits from any given game; risks and uncertainties of conducting business outside the U.S., including the need for regulatory approval to operate, impacts on our business arising from the current conflict between Russia and Ukraine, the relatively weaker protection for our intellectual property rights, and the impact of cultural differences on consumer preferences; risks associated with the retail sales business model; our ability to realize the expected benefits of our recent restructuring actions; difficulties in integrating acquired businesses or otherwise realizing the anticipated benefits of strategic transactions; the seasonality in the sale of our products; fluctuation in our recurring business; risks relating to behavior of our distributors, retailers, development, and licensing partners, or other affiliated third parties that may harm our brands or business operations; our reliance on tools and technologies owned by third parties; risks associated with our use of open source software; risks associated with undisclosed content or features that may result in consumers' refusal to buy or retailers' refusal to sell our products; risks associated with objectionable consumer- or other third-party-created content; outages, disruptions or degradations in our services, products, and/or technological infrastructure; data breaches, fraudulent activity, and other cybersecurity risks; significant disruption during our live events; risks related to the impacts of catastrophic events; climate change; provisions in our corporate documents that may make it more difficult for any person to acquire control of our company; ongoing legal proceedings related to workplace concerns and otherwise, including the impact of the complaint filed in 2021 by the California Department of Fair Employment and Housing alleging violations of the California Fair Employment and Housing Act and the California Equal Pay Act and separate investigations and complaints by other parties and regulators related to certain employment practices and related disclosures; successful implementation of the requirements of the court-approved consent decree with the Equal Employment Opportunity Commission; intellectual property claims; increasing regulation in key territories; regulation relating to the Internet, including potential harm from laws impacting "net neutrality"; regulation concerning data privacy, including China's recently passed Personal Information Protection Law; scrutiny regarding the appropriateness of our games' content, including ratings assigned by third parties; changes in tax rates and/or tax laws or exposure to additional tax liabilities; fluctuations in currency exchange rates; impacts of changes in financial accounting standards; insolvency or business failure of any of our business partners, which has been magnified as a result of the COVID-19 pandemic; risks associated with our reliance on discretionary spending; and the other factors included in "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission.

Activision Blizzard Announces Q1 2022 Financial Results

The forward-looking statements contained herein are based on information available to Activision Blizzard, Inc. as of the date of this filing, and we assume no obligation to update any such forward-looking statements. Actual events or results may differ from those expressed in forward-looking statements. As such, you should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained herein primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, prospects, strategy, and financial needs. 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.

Additional Information and Where to Find It

In connection with the transaction, Activision Blizzard has filed with the SEC and mailed to Activision Blizzard stockholders entitled to vote at the special meeting to approve the transaction a definitive proxy statement on March 21, 2022 (as amended or supplemented from time to time, the “definitive proxy statement”). INVESTORS AND SECURITY HOLDERS OF ACTIVISION BLIZZARD ARE URGED TO READ THESE MATERIALS (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS IN CONNECTION WITH THE TRANSACTION THAT ACTIVISION BLIZZARD HAS FILED OR WILL FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY DO OR WILL CONTAIN IMPORTANT INFORMATION ABOUT ACTIVISION BLIZZARD AND THE TRANSACTION. The definitive proxy statement and other relevant materials in connection with the transaction (when they become available), and any other documents filed by Activision Blizzard with the SEC, may be obtained free of charge at the SEC’s website (<http://www.sec.gov>) or at Activision Blizzard’s website (<https://investor.activision.com>) or by writing to Activision Blizzard, Investor Relations, 2701 Olympic Boulevard, Building B, Santa Monica, CA 90404.

Activision Blizzard and certain of its directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from Activision Blizzard’s stockholders with respect to the transaction. Information about Activision Blizzard’s directors and executive officers and their ownership of Activision Blizzard’s common stock is set forth in the definitive proxy statement. To the extent that holdings of Activision Blizzard’s securities have changed since the amounts printed in the definitive proxy statement, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Information regarding the identity of the participants, and their direct or indirect interests in the transaction, by security holdings or otherwise, are set forth in the definitive proxy statement and other materials filed with the SEC in connection with the transaction.

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(Tables to Follow)

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in millions)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2022 | 2021 |
| Net revenues | | |
| Product sales | \$ 386 | \$ 675 |
| In-game, subscription, and other revenues ¹ | 1,382 | 1,600 |
| Total net revenues | 1,768 | 2,275 |
| Costs and expenses | | |
| Cost of revenues—product sales: | | |
| Product costs | 91 | 140 |
| Software royalties, amortization, and intellectual property licenses | 81 | 112 |
| Cost of revenues—in-game, subscription, and other: | | |
| Game operations and distribution costs | 288 | 296 |
| Software royalties, amortization, and intellectual property licenses | 19 | 30 |
| Product development | 346 | 353 |
| Sales and marketing | 252 | 237 |
| General and administrative | 214 | 282 |
| Restructuring and related costs | (2) | 30 |
| Total costs and expenses | 1,289 | 1,480 |
| Operating income | 479 | 795 |
| Interest and other expense (income), net | 14 | 30 |
| Income before income tax expense | 465 | 765 |
| Income tax expense | 70 | 146 |
| Net income | \$ 395 | \$ 619 |
| Basic earnings per common share | \$ 0.51 | \$ 0.80 |
| Weighted average common shares outstanding | 780 | 775 |
| Diluted earnings per common share | \$ 0.50 | \$ 0.79 |
| Weighted average common shares outstanding assuming dilution | 786 | 783 |

1 In-game, subscription, and other revenues represent revenues from microtransactions and downloadable content, World of Warcraft subscriptions, licensing royalties from our products and franchises, and other miscellaneous revenues.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Amounts in millions)

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> |
|---|-----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 10,967 | \$ 10,423 |
| Accounts receivable, net | 530 | 972 |
| Software development | 433 | 449 |
| Other current assets | 556 | 712 |
| Total current assets | <u>12,486</u> | <u>12,556</u> |
| Software development | 289 | 211 |
| Property and equipment, net | 174 | 169 |
| Deferred income taxes, net | 1,308 | 1,377 |
| Other assets | 511 | 497 |
| Intangible assets, net | 445 | 447 |
| Goodwill | 9,799 | 9,799 |
| Total assets | <u>\$ 25,012</u> | <u>\$ 25,056</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 207 | \$ 285 |
| Deferred revenues | 835 | 1,118 |
| Accrued expenses and other liabilities | 1,249 | 1,008 |
| Total current liabilities | <u>2,291</u> | <u>2,411</u> |
| Long-term debt, net | 3,608 | 3,608 |
| Deferred income taxes, net | 375 | 506 |
| Other liabilities | 907 | 932 |
| Total liabilities | <u>7,181</u> | <u>7,457</u> |
| Shareholders' equity | | |
| Common stock | — | — |
| Additional paid-in capital | 11,927 | 11,715 |
| Treasury stock | (5,563) | (5,563) |
| Retained earnings | 12,053 | 12,025 |
| Accumulated other comprehensive loss | (586) | (578) |
| Total shareholders' equity | <u>17,831</u> | <u>17,599</u> |
| Total liabilities and shareholders' equity | <u>\$ 25,012</u> | <u>\$ 25,056</u> |

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
SUPPLEMENTAL CASH FLOW INFORMATION
(Amounts in millions)

| | Three Months Ended | | | | | Year over Year % Increase (Decrease) |
|---|--------------------|------------------|-----------------------|----------------------|-------------------|---|
| | March 31, 2021 | June 30, 2021 | September 30, 2021 | December 31, 2021 | March 31, 2022 | |
| Cash Flow Data | | | | | | |
| Operating Cash Flow | \$ 844 | \$ 388 | \$ 521 | \$ 661 | \$ 642 | (24)% |
| Capital Expenditures | 22 | 14 | 23 | 21 | 15 | (32) |
| Non-GAAP Free Cash Flow ¹ | \$ 822 | \$ 374 | \$ 498 | \$ 640 | \$ 627 | (24) |
| Operating Cash Flow - TTM ² | \$ 2,948 | \$ 2,568 | \$ 2,893 | \$ 2,414 | \$ 2,212 | (25) |
| Capital Expenditures - TTM ² | 81 | 82 | 81 | 80 | 73 | (10) |
| Non-GAAP Free Cash Flow ¹ - TTM ² | \$ 2,867 | \$ 2,486 | \$ 2,812 | \$ 2,334 | \$ 2,139 | (25)% |

1 Non-GAAP free cash flow represents operating cash flow minus capital expenditures.

2 TTM represents trailing twelve months. Operating Cash Flow for three months ended June 30, 2020, three months ended September 30, 2020, and three months ended December 31, 2020, were \$768 million, \$196 million, and \$1,140 million, respectively. Capital Expenditures for the three months ended June 30, 2020, three months ended September 30, 2020, and three months ended December 31, 2020, were \$13 million, \$24 million, and \$22 million, respectively.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES
(Amounts in millions, except per share data)

| Three Months Ended March 31, 2022 | Net Revenues | Cost of Revenues —Product Sales: Product Costs | Cost of Revenues —Product Sales: Software Royalties and Amortization | Cost of Revenues —In-game/Subs/ Other: Game Operations and Distribution Costs | Cost of Revenues —In-game/Subs/ Other: Software Royalties and Amortization | Product Development | Sales and Marketing | General and Administrative | Restructuring and related costs | Total Costs and Expenses |
|---|-----------------------------|--|--|---|--|------------------------|------------------------|-------------------------------|---------------------------------------|-----------------------------|
| GAAP Measurement | \$ 1,768 | \$ 91 | \$ 81 | \$ 288 | \$ 19 | \$ 346 | \$ 252 | \$ 214 | \$ (2) | \$ 1,289 |
| Share-based compensation ¹ | — | — | (4) | (2) | — | (53) | (15) | (24) | — | (98) |
| Amortization of intangible assets ² | — | — | — | — | — | — | — | (2) | — | (2) |
| Restructuring and related costs ³ | — | — | — | — | — | — | — | — | 2 | 2 |
| Merger and acquisition-related fees and other expenses ⁴ | — | — | — | — | — | — | — | (32) | — | (32) |
| Non-GAAP Measurement | \$ 1,768 | \$ 91 | \$ 77 | \$ 286 | \$ 19 | \$ 293 | \$ 237 | \$ 156 | \$ — | \$ 1,159 |
| Net effect of deferred revenues and related cost of revenues ⁵ | \$ (287) | \$ (14) | \$ (38) | \$ (2) | \$ 2 | \$ — | \$ — | \$ — | \$ — | \$ (52) |
| | Operating Income | Net Income | Basic Earnings per Share | Diluted Earnings per Share | | | | | | |
| GAAP Measurement | \$ 479 | \$ 395 | \$ 0.51 | \$ 0.50 | | | | | | |
| Share-based compensation ¹ | 98 | 98 | 0.13 | 0.13 | | | | | | |
| Amortization of intangible assets ² | 2 | 2 | — | — | | | | | | |
| Restructuring and related costs ³ | (2) | (2) | — | — | | | | | | |
| Merger and acquisition-related fees and other expenses ⁴ | 32 | 32 | 0.04 | 0.04 | | | | | | |
| Income tax impacts from items above ⁶ | — | (24) | (0.03) | (0.03) | | | | | | |
| Non-GAAP Measurement | \$ 609 | \$ 501 | \$ 0.64 | \$ 0.64 | | | | | | |
| Net effect of deferred revenues and related cost of revenues ⁵ | \$ (235) | \$ (204) | \$ (0.26) | \$ (0.26) | | | | | | |

1 Reflects expenses related to share-based compensation, including \$15 million for outstanding liability awards accounted for under ASC 718.

2 Reflects amortization of intangible assets from purchase price accounting.

3 Reflects restructuring initiatives, primarily severance and other restructuring-related costs.

4 Reflects fees and other expenses related to our proposed transaction with Microsoft Corporation ("Microsoft"), primarily legal and advisory fees.

5 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues, along with related cost of revenues, on certain of our online-enabled products, including the effects of taxes.

6 Reflects the income tax impact associated with 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.

The GAAP and non-GAAP earnings per share information is presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP MEASURES
(Amounts in millions, except per share data)

| Three Months Ended March 31, 2021 | Net Revenues | Cost of Revenues —Product Sales: Product Costs | Cost of Revenues —Product Sales: Software Royalties and Amortization | Cost of Revenues —In-game/Subs/ Other: Game Operations and Distribution Costs | Cost of Revenues —In-game/Subs/ Other: Software Royalties and Amortization | Product Development | Sales and Marketing | General and Administrative | Restructuring and related costs | Total Costs and Expenses |
|---|-----------------------------|--|--|---|--|------------------------|------------------------|-------------------------------|---------------------------------------|-----------------------------|
| GAAP Measurement | \$ 2,275 | \$ 140 | \$ 112 | \$ 296 | \$ 30 | \$ 353 | \$ 237 | \$ 282 | \$ 30 | \$ 1,480 |
| Share-based compensation ¹ | — | — | (6) | — | — | (16) | (5) | (124) | — | (151) |
| Amortization of intangible assets ² | — | — | — | — | (3) | — | — | (2) | — | (5) |
| Restructuring and related costs ³ | — | — | — | — | — | — | — | — | (30) | (30) |
| Non-GAAP Measurement | \$ 2,275 | \$ 140 | \$ 106 | \$ 296 | \$ 27 | \$ 337 | \$ 232 | \$ 156 | \$ — | \$ 1,294 |
| Net effect of deferred revenues and related cost of revenues ⁴ | \$ (209) | \$ (13) | \$ (64) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ (77) |
| | Operating Income | Net Income | Basic Earnings per Share | Diluted Earnings per Share | | | | | | |
| GAAP Measurement | \$ 795 | \$ 619 | \$ 0.80 | \$ 0.79 | | | | | | |
| Share-based compensation ¹ | 151 | 151 | 0.20 | 0.19 | | | | | | |
| Amortization of intangible assets ² | 5 | 5 | 0.01 | 0.01 | | | | | | |
| Restructuring and related costs ³ | 30 | 30 | 0.04 | 0.04 | | | | | | |
| Income tax impacts from items above ⁵ | — | (37) | (0.05) | (0.05) | | | | | | |
| Non-GAAP Measurement | \$ 981 | \$ 768 | \$ 0.99 | \$ 0.98 | | | | | | |
| Net effect of deferred revenues and related cost of revenues ⁴ | \$ (132) | \$ (107) | \$ (0.14) | \$ (0.14) | | | | | | |

1 Reflects expenses related to share-based compensation.

2 Reflects amortization of intangible assets from purchase price accounting.

3 Reflects restructuring initiatives, primarily severance and other restructuring-related costs.

4 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues, along with related cost of revenues, on certain of our online-enabled products, including the effects of taxes.

5 Reflects the income tax impact associated with 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.

The GAAP and non-GAAP earnings per share information is presented as calculated. The sum of these measures, as presented, may differ due to the impact of rounding.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
OPERATING SEGMENTS INFORMATION
(Amounts in millions)

| Three Months Ended | March 31, 2022 | | | | \$ Increase / (Decrease) | | | |
|--|----------------|---------------|---------------|-----------------|--------------------------|-----------------|--------------|-----------------|
| | Activision | Blizzard | King | Total | Activision | Blizzard | King | Total |
| Segment Net Revenues | | | | | | | | |
| Net revenues from external customers | \$ 453 | \$ 265 | \$ 682 | \$ 1,400 | \$ (438) | \$ (193) | \$ 73 | \$ (558) |
| Intersegment net revenues ¹ | — | 9 | — | 9 | — | (16) | — | (16) |
| Segment net revenues | <u>\$ 453</u> | <u>\$ 274</u> | <u>\$ 682</u> | <u>\$ 1,409</u> | <u>\$ (438)</u> | <u>\$ (209)</u> | <u>\$ 73</u> | <u>\$ (574)</u> |
| Segment operating income | \$ 59 | \$ 53 | \$ 243 | \$ 355 | \$ (383) | \$ (155) | \$ 40 | \$ (498) |
| Operating Margin | 25.2 % | | | | | | | |
| March 31, 2021 | | | | | | | | |
| | Activision | Blizzard | King | Total | | | | |
| Segment Net Revenues | | | | | | | | |
| Net revenues from external customers | \$ 891 | \$ 458 | \$ 609 | \$ 1,958 | | | | |
| Intersegment net revenues ¹ | — | 25 | — | 25 | | | | |
| Segment net revenues | <u>\$ 891</u> | <u>\$ 483</u> | <u>\$ 609</u> | <u>\$ 1,983</u> | | | | |
| Segment operating income | \$ 442 | \$ 208 | \$ 203 | \$ 853 | | | | |
| Operating Margin | 43.0 % | | | | | | | |

¹ Intersegment revenues reflect licensing and service fees charged between segments.

Our operating segments are consistent with the manner in which our operations are reviewed and managed by our Chief Executive Officer, who is our chief operating decision maker (“CODM”). The CODM reviews segment performance exclusive of: the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled games; share-based compensation expense (including liability awards accounting for under ASC 718); amortization of intangible assets as a result of purchase price accounting; fees and other expenses (including legal fees, costs, expenses and accruals) related to acquisitions, associated integration activities, and financings; certain restructuring and related costs; and other non-cash charges. **See the following page for the reconciliation tables of segment revenues and operating income to consolidated net revenues and consolidated income before income tax expense.**

Our operating segments are also consistent with our internal organization structure, the way we assess operating performance and allocate resources, and the availability of separate financial information. We do not aggregate operating segments.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
OPERATING SEGMENTS INFORMATION
(Amounts in millions)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-----------------|
| | 2022 | 2021 |
| Reconciliation to consolidated net revenues: | | |
| Segment net revenues | \$ 1,409 | \$ 1,983 |
| Revenues from non-reportable segments ¹ | 81 | 108 |
| Net effect from recognition (deferral) of deferred net revenues ² | 287 | 209 |
| Elimination of intersegment revenues ³ | (9) | (25) |
| Consolidated net revenues | <u>\$ 1,768</u> | <u>\$ 2,275</u> |
| Reconciliation to consolidated income before income tax expense: | | |
| Segment operating income | \$ 355 | \$ 853 |
| Operating income (loss) from non-reportable segments ¹ | 19 | (4) |
| Net effect from recognition (deferral) of deferred net revenues and related cost of revenues ² | 235 | 132 |
| Share-based compensation expense ⁴ | (98) | (151) |
| Amortization of intangible assets | (2) | (5) |
| Restructuring and related costs ⁵ | 2 | (30) |
| Merger and acquisition-related fees and other expenses ⁶ | (32) | — |
| Consolidated operating income | 479 | 795 |
| Interest and other expense (income), net | 14 | 30 |
| Consolidated income before income tax expense (benefit) | <u>\$ 465</u> | <u>\$ 765</u> |

- 1 Includes other income and expenses outside of our reportable segments, including our distribution business and unallocated corporate income and expenses.
- 2 Reflects the net effect from (deferral) of revenues and recognition of deferred revenues, along with related cost of revenues, on certain of our online-enabled products.
- 3 Intersegment revenues reflect licensing and service fees charged between segments.
- 4 Reflects expenses related to share-based compensation, including liability awards accounted for under ASC 718.
- 5 Reflects restructuring initiatives, primarily severance and other restructuring-related costs.
- 6 Reflects fees and other expenses related to our proposed transaction with Microsoft, primarily legal and advisory fees.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
NET REVENUES BY DISTRIBUTION CHANNEL
(Amounts in millions)

| | Three Months Ended | | | | | |
|--|--------------------|-------------------------|-----------------|-------------------------|---------------------------|--------------------------|
| | March 31, 2022 | | March 31, 2021 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total ¹ | Amount | % of Total ¹ | | |
| Net Revenues by Distribution Channel | | | | | | |
| Digital online channels ² | \$ 1,589 | 90 % | \$ 2,006 | 88 % | \$ (417) | (21)% |
| Retail channels | 85 | 5 | 149 | 7 | (64) | (43) |
| Other ³ | 94 | 5 | 120 | 5 | (26) | (22) |
| Total consolidated net revenues | <u>\$ 1,768</u> | <u>100 %</u> | <u>\$ 2,275</u> | <u>100 %</u> | <u>\$ (507)</u> | <u>(22)</u> |
| Change in deferred revenues⁴ | | | | | | |
| Digital online channels ² | \$ (222) | | \$ (141) | | | |
| Retail channels | (64) | | (74) | | | |
| Other ³ | (1) | | 6 | | | |
| Total changes in deferred revenues | <u>\$ (287)</u> | | <u>\$ (209)</u> | | | |

- 1 The percentages of total are presented as calculated. Therefore, the sum of these percentages, as presented, may differ due to the impact of rounding.
- 2 Net revenues from Digital online channels represent revenues from digitally-distributed downloadable content, microtransactions, subscriptions, and products, as well as licensing royalties.
- 3 Net revenues from Other primarily include revenues from our distribution business, the Overwatch League, and the Call of Duty League.
- 4 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues on certain of our online-enabled products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
NET REVENUES BY PLATFORM
(Amounts in millions)

| | Three Months Ended | | | | | |
|--|--------------------|-------------------------|-----------------|-------------------------|---------------------------|--------------------------|
| | March 31, 2022 | | March 31, 2021 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total ¹ | Amount | % of Total ¹ | | |
| Net Revenues by Platform | | | | | | |
| Console | \$ 484 | 27 % | \$ 799 | 35 % | \$ (315) | (39)% |
| PC | 383 | 22 | 622 | 27 | (239) | (38) |
| Mobile and ancillary ² | 807 | 46 | 734 | 32 | 73 | 10 |
| Other ³ | 94 | 5 | 120 | 5 | (26) | (22) |
| Total consolidated net revenues | <u>\$ 1,768</u> | <u>100 %</u> | <u>\$ 2,275</u> | <u>100 %</u> | <u>\$ (507)</u> | <u>(22)</u> |
| Change in deferred revenues⁴ | | | | | | |
| Console | \$ (221) | | \$ (173) | | | |
| PC | (80) | | (45) | | | |
| Mobile and ancillary ² | 15 | | 3 | | | |
| Other ³ | (1) | | 6 | | | |
| Total changes in deferred revenues | <u>\$ (287)</u> | | <u>\$ (209)</u> | | | |

- 1 The percentages of total are presented as calculated. Therefore, the sum of these percentages, as presented, may differ due to the impact of rounding.
- 2 Net revenues from Mobile and ancillary primarily include revenues from mobile devices.
- 3 Net revenues from Other primarily include revenues from our distribution business, the Overwatch League, and the Call of Duty League.
- 4 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues on certain of our online-enabled products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
NET REVENUES BY GEOGRAPHIC REGION
(Amounts in millions)

| | Three Months Ended | | | | | |
|--|--------------------|-------------------------|-----------------|-------------------------|---------------------------|--------------------------|
| | March 31, 2022 | | March 31, 2021 | | \$ Increase (Decrease) | % Increase (Decrease) |
| | Amount | % of Total ¹ | Amount | % of Total ¹ | | |
| Net Revenues by Geographic Region | | | | | | |
| Americas | \$ 1,016 | 57 % | \$ 1,307 | 57 % | \$ (291) | (22)% |
| EMEA ² | 527 | 30 | 731 | 32 | (204) | (28) |
| Asia Pacific | 225 | 13 | 237 | 10 | (12) | (5) |
| Total consolidated net revenues | <u>\$ 1,768</u> | <u>100 %</u> | <u>\$ 2,275</u> | <u>100 %</u> | <u>\$ (507)</u> | <u>(22)</u> |
| Change in deferred revenues³ | | | | | | |
| Americas | \$ (174) | | \$ (121) | | | |
| EMEA ² | (93) | | (65) | | | |
| Asia Pacific | (20) | | (23) | | | |
| Total changes in deferred revenues | <u>\$ (287)</u> | | <u>\$ (209)</u> | | | |

1 The percentages of total are presented as calculated. Therefore, the sum of these percentages, as presented, may differ due to the impact of rounding.

2 Net revenues from EMEA consist of the Europe, Middle East, and Africa geographic regions.

3 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues on certain of our online-enabled products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
EBITDA AND ADJUSTED EBITDA
(Amounts in millions)

| | June 30, 2021 | September 30, 2021 | December 31, 2021 | March 31, 2022 | Trailing Twelve Months Ended March 31, 2022 |
|---|------------------|-----------------------|----------------------|-------------------|--|
| GAAP Net Income | \$ 876 | \$ 639 | \$ 564 | \$ 395 | \$ 2,474 |
| Interest and other expense (income), net | (43) | 65 | 45 | 14 | 81 |
| Provision for income taxes | 126 | 120 | 73 | 70 | 389 |
| Depreciation and amortization | 28 | 27 | 27 | 24 | 106 |
| EBITDA | 987 | 851 | 709 | 503 | 3,050 |
| Share-based compensation expense ¹ | 43 | 64 | 249 | 98 | 454 |
| Restructuring and related costs ² | 13 | 3 | 30 | (2) | 44 |
| Merger and acquisition-related fees and other expenses ³ | — | — | — | 32 | 32 |
| Adjusted EBITDA | \$ 1,043 | \$ 918 | \$ 988 | \$ 631 | \$ 3,580 |
| Change in deferred net revenues and related cost of revenues ⁴ | \$ (276) | \$ (154) | \$ 215 | \$ (235) | \$ (450) |

1 Reflects expenses related to share-based compensation, including liability awards accounted for under ASC 718.

2 Reflects restructuring initiatives, primarily severance and other restructuring-related costs.

3 Reflects fees and other expenses related to our proposed transaction with Microsoft, primarily legal and advisory fees.

4 Reflects the net effect from deferral of revenues and (recognition) of deferred revenues, along with related cost of revenues, on certain of our online-enabled products.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES
OPERATING METRICS
(Amounts in millions)

Net Bookings¹

| | Three Months Ended March 31, | | | |
|-----------------------------------|-------------------------------------|-------------|-----------------------------------|----------------------------------|
| | 2022 | 2021 | \$ Increase (Decrease) | % Increase (Decrease) |
| Net bookings ¹ | \$ 1,481 | \$ 2,066 | \$ (585) | (28)% |
| In-game net bookings ² | \$ 1,011 | \$ 1,343 | \$ (332) | (25)% |

- 1 We monitor net bookings as a key operating metric in evaluating the performance of our business because it enables an analysis of performance based on the timing of actual transactions with our customers and provides more timely indications of trends in our operating results. Net bookings is 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. Net bookings is equal to net revenues excluding the impact from deferrals.
- 2 In-game net bookings primarily includes the net amount of downloadable content and microtransactions sold during the period, and is equal to in-game net revenues excluding the impact from deferrals.

Monthly Active Users³

| | March 31, 2021 | June 30, 2021 | September 30, 2021 | December 31, 2021 | March 31, 2022 |
|------------|-----------------------|----------------------|---------------------------|--------------------------|-----------------------|
| Activision | 150 | 127 | 119 | 107 | 100 |
| Blizzard | 27 | 26 | 26 | 24 | 22 |
| King | 258 | 255 | 245 | 240 | 250 |
| Total MAUs | 435 | 408 | 390 | 371 | 372 |

- 3 We monitor monthly active users (“MAUs”) as a key measure of the overall size of our user base. MAUs are the number of individuals who accessed a particular game in a given month. We calculate average MAUs in a period by adding the total number of MAUs in each of the months in a given period and dividing that total by the number of months in the period. An individual who accesses two of our games would be counted as two users. In addition, due to technical limitations, for Activision and King, an individual who accesses the same game on two platforms or devices in the relevant period would be counted as two users. For Blizzard, an individual who accesses the same game on two platforms or devices in the relevant period would generally be counted as a single user. In certain instances, we rely on third parties to publish our games. In these instances, MAU data is based on information provided to us by those third parties, or, if final data is not available, reasonable estimates of MAUs for these third-party published games.