



Second Quarter 2017 Results

August 3, 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 risk, 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; the impact of litigation risks and associated costs; protection of proprietary rights; shifts in consumer spending trends; capital market risks; 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.

Non-GAAP (as previously defined) and Non-GAAP (redefined) Financial Measures

In accordance with the updated Compliance and Disclosure Interpretations issued by the SEC staff on May 17, 2016, beginning with the reporting of our second-quarter 2016 results, we have reported our financial results and provided our outlook using GAAP and non-GAAP (redefined). We have historically provided Non-GAAP (as previously defined) financial measures. The only difference between the two measures is the inclusion (Non-GAAP (redefined)) or exclusion (Non-GAAP (as previously defined)) of the impact from revenue deferrals accounting treatment on certain of our online enabled products. Please see materials from July 29, 2016 call for further details.

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

Better-than-expected Q2 financial results and record first-half revenues

- Q2 record GAAP revenues of \$1.6B versus guidance of \$1.4B
- Q2 record GAAP EPS of \$0.32 versus guidance of \$0.15
- Q2 record non-GAAP (redefined)¹ EPS of \$0.55 versus guidance of \$0.38
- Record first-half total revenues and digital revenues

Raising full year guidance

- Increasing 2017 GAAP outlook to revenues of \$6.4B, including net deferrals of \$175M, and GAAP EPS of \$1.05
- Increasing 2017 non-GAAP (redefined)¹ outlook to EPS of \$1.94, including net deferrals of \$0.06

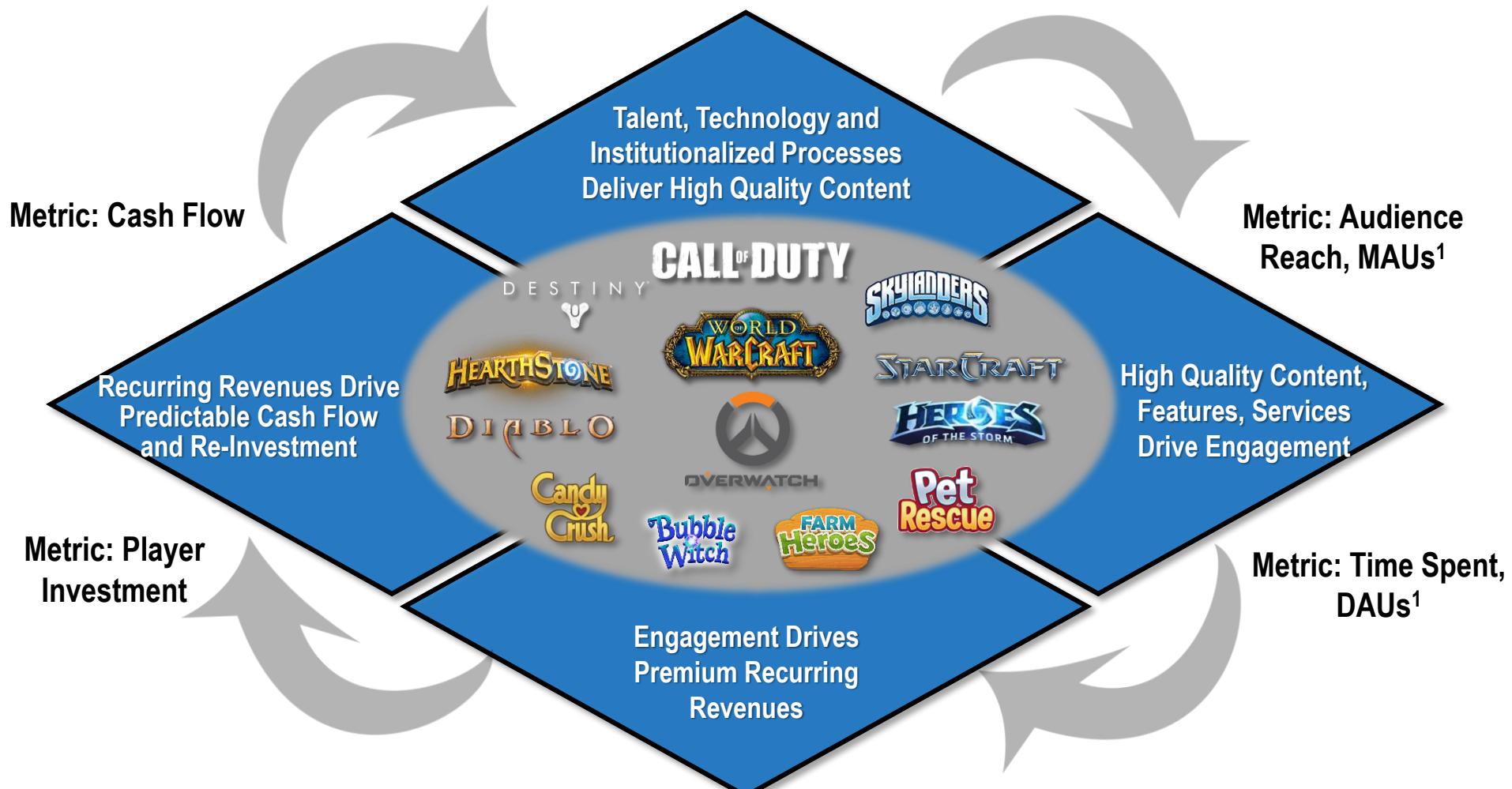
Key highlights

- Released new updates across many of our leading franchises, driving engagement and delivering nearly half-a-billion dollars of segment operating income
- Announced team sales for the Overwatch League™, the first major global, city-based professional esports league, designed to celebrate our players and fans
- Expanded depth of management team

¹ Non-GAAP reconciliations are in the earnings release dated August 3, 2017, which is available on www.activisionblizzard.com. "Non-GAAP (redefined)" includes the net effect of revenue deferrals accounting treatment on certain of our online enabled products. Please see materials from July 29, 2016 call for further details.

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 definition included in earnings release for additional details. Daily Active Users (DAUs) defined and calculated the same as MAUs but on a daily basis.

Audience Reach

407M MAUs¹ in the quarter across the company

	Activision	Blizzard	King
Q2 MAUs ¹	47M	46M	314M

Details:



- All-time record MAUs¹, up 38% Y/Y
- MAUs¹ have more than doubled since early 2015, underscoring Blizzard's ability to grow audience reach across a portfolio of platforms, regions, genres, and business models



- *Overwatch*[®] MAUs¹ have increased every quarter since the game launched and rose to a new all-time franchise high in Q2, with two seasonal events in the quarter



- *Hearthstone*[®] MAUs¹ rose to an all-time record, fueled by the new expansion, *Journey to Un'Goro*[™]



- *Call of Duty*[®]: *Black Ops III* saw an increase in MAUs¹ Q/Q with the release of *Zombies Chronicles* – our first large content drop to a community in year 2 after a game launch
- Momentum on *Call of Duty: WWII* continues with strong pre-orders, stated purchase intent and hands-on player feedback; Beta begins exclusively on PS4 on Aug 25



- *Destiny 2* won E3 Game Critic's "PC Game of Show"; will be the first non-Blizzard PC title on Blizzard's Battle.net[®] platform
- *Destiny 2* console Beta had more players than the first *Destiny* Beta; pre-order levels now above the first title, with the highest digital mix for full game pre-orders in Activision's history



- *Crash Bandicoot™ N. Sane Trilogy* was the #1 console title globally in June based on units despite only having two days of sales on one platform during the month²

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 definition included in earnings release for additional details. ² Per NPD, GfK, GSD, and internal estimates.

Deep Engagement

Multiple ways for players to engage on our franchises

Details:



- Blizzard had all-time record DAUs¹ and Q2 record time spent



- *Uprising*'s PvE-mode was well-received with record play-time; *Anniversary* event drove strong engagement and record participation in customization items



- *World of Warcraft*® time spent grew Y/Y, and *Legion*™ continues to outperform the prior expansion



- Though MAUs² are down, live ops and new content continue to drive strong engagement with steady time spent at 35 minutes/day and players engaging more frequently



- Announced team sales for the Overwatch League, the first major global, city-based professional esports league, designed to celebrate our players and fans



- Announced live-streaming media rights deal for content across a number of franchises but excluding the Overwatch League



- Activision's Call of Duty World League will culminate in its Championships held in Orlando in August

¹ Daily Active Users (DAUs) is defined and calculated using the same methodology as MAUs but on a daily basis. ² 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 definition included in earnings release for additional details.

Providing More Opportunity for Player Investment

Delivered nearly \$1B of Q2 GAAP in-game revenues

Details:



- Gross bookings¹ per paying user has increased eight quarters in a row to a new record
- Strong engagement and player investment led to an increase in mobile gross bookings¹ both Q/Q and Y/Y
- 2 of the top-10 grossing games in the U.S. for the 15th quarter in a row²
- Development pipeline includes a promising publishing partnership with **PlayStudios** in the social casino segment, slated for release later this year
- Entered partnership with Facebook for static display ad inventory, while continuing to work towards the longer-term video ad opportunity



- Provided great content wherever **Call of Duty** fans engaged, which led to strong in-game revenues overall
- **Black Ops III's** release of **Zombies Chronicles** not only drove purchases of that specific piece of content, but also led to higher engagement, which in turn led to add-on revenues for that game



- Blizzard experienced strong participation with in-game content for **Overwatch**, **Hearthstone**, and **Diablo® III** franchises
- The Necromancer class, originally debuted in **Diablo II**, was introduced to **Diablo III** and was embraced by the player community

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 U.S. ranking for Apple App Store and Google Play Store combined, per App Annie Intelligence for second quarter 2017.

Better-than-Expected First Half 2017 Results

Record first-half revenues

If you would like to calculate Non-GAAP metrics as previously defined, you would add the impact of GAAP deferrals to the relevant Non-GAAP (redefined) metrics. Please see materials from July 29, 2016 call for further details.

Net Revenues

	1H 2016 Actual		
	GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals
Net Revenues	\$3,025M	\$3,025M	(\$508M)
Digital Revenues %	68%	68%	
Operating Income	\$693M	\$1,101M	(\$261M)
Operating Margin	23%	36%	
Interest Expense from Debt	\$120M	\$115M	
EPS	\$0.68	\$1.04	(\$0.28)
Total share count for EPS ²	754M	754M	

	1H 2017 Actual		
	GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals
Net Revenues	\$3,356M	\$3,356M	(\$742M)
Digital Revenues %	80%	80%	
Operating Income	\$831M	\$1,323M	(\$501M)
Operating Margin	25%	39%	
Interest Expense from Debt	\$92M	\$75M	
EPS	\$0.88	\$1.26	(\$0.51)
Total share count for EPS ²	763M	763M	

Operating Cash Flow³

\$840M
\$769M

\$676M
\$624M

¹ Non-GAAP reconciliations are in the earnings release dated August 3, 2017, which is available on www.activisionblizzard.com.

² Fully diluted weighted average shares outstanding includes options and participating securities based on average share price.

³ During Q3 2016 we adopted a new accounting standard that included retrospectively revising cash flows for all periods presented. Refer to the tables attached to the company's earnings release dated November 3, 2016, for more details.

⁴ Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Second-Quarter Segment Results

Content updates across portfolio led to broad-based over-performance

			
Segment Net Revenues:	\$316M	\$566M	\$480M
Segment Operating Income:	\$87M	\$225M	\$164M
Segment Operating Margin:	28%	40%	34%
	<ul style="list-style-type: none">• Revenues & OI up Q/Q, record Q2 OI margin• Revenues & OI roughly flat Y/Y, based on broader <i>Call of Duty</i> franchise strength & upside across library, offsetting <i>Infinite Warfare</i>'s expected lower performance	<ul style="list-style-type: none">• Record all-time MAUs¹• Revenues and OI down Y/Y given <i>Overwatch</i> launch last year but up Q/Q on broad line-up of content updates across the portfolio, driving record engagement	<ul style="list-style-type: none">• Continued growth in per player investment• Frequency of player engagement continues to be at all-time highs• Relatively stable revenues on <i>Candy Crush</i> franchise

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 definition included in earnings release for additional details.

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 August 3, 2017, which is available on www.activisionblizzard.com.

Second Quarter 2017 Results

Better-than-Expected Results

If you would like to calculate Non-GAAP metrics as previously defined, you would add the impact of GAAP deferrals to the relevant Non-GAAP (redefined) metrics. Please see materials from July 29, 2016 call for further details.

Net Revenues

	Q2 2016 Actual	
	GAAP	Non-GAAP ² (redefined)
Net Revenues	\$1,570M	\$1,570M
Digital Revenues %	73%	73%

Operating Income

\$232M	\$480M	\$108M
Operating Margin	15%	31%

Operating Margin

15%	31%
Interest Expense from Debt	

Interest Expense from Debt

\$63M	\$61M
EPS	

EPS

\$0.20	\$0.45	\$0.08
Total share count for EPS ³	756M	756M

Total share count for EPS³

756M	756M
Operating Cash Flow ⁴	

Operating Cash Flow⁴

\$503M
Free Cash Flow ^{4,5}

\$459M
Free Cash Flow ^{4,5}

Prior Q2 2017 Outlook¹

	Prior Q2 2017 Outlook ¹	
	GAAP	Non-GAAP ² (redefined)
Net Revenues	\$1,425M	\$1,425M
Digital Revenues %	73%	73%

Operating Income	\$108M	(\$225M)
Operating Margin	15%	31%

Interest Expense from Debt	\$37M	\$36M
EPS	\$0.15	\$0.38

EPS	\$0.15	\$0.38
Total share count for EPS ³	764M	764M

Q2 2017 Actual

	Q2 2017 Actual	
	GAAP	Non-GAAP ² (redefined)
Net Revenues	\$1,631M	\$1,631M
Digital Revenues %	80%	80%

Operating Income	\$108M	(\$225M)
Operating Margin	21%	35%

Interest Expense from Debt	\$37M	\$36M
EPS	\$0.15	\$0.38

EPS	\$0.15	\$0.38
Total share count for EPS ³	764M	764M

Operating Cash Flow⁴

\$265M
Free Cash Flow ^{4,5}

Free Cash Flow^{4,5}

\$234M
Free Cash Flow ^{4,5}

¹Prior outlook provided May 4, 2017. ²Non-GAAP reconciliations are in the earnings releases dated May 4, 2017 and August 3, 2017, which are available on www.activisionblizzard.com. ³Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. ⁴During Q3 2016 we adopted a new accounting standard that included retrospectively revising cash flows for all periods presented. Refer to the tables attached to the company's earnings release dated November 3, 2016, for more details. ⁵Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Balance Sheet

Paid \$0.30/share dividend in May, up 15% Y/Y, totaling \$226M

	6/30/16	3/31/17	6/30/17
Cash and investments	\$2.30B	\$3.27B	\$3.29B
Term loans	\$2.85B	\$2.19B	\$0.99B
Notes ¹	\$2.25B	\$2.25B	\$3.45B
Gross Debt	\$5.10B	\$4.44B	\$4.44B
Net Debt²	\$2.80B	\$1.17B	\$1.15B
Adjusted TTM EBITDA³	\$1,714M	\$2,581M	\$2,678M
Secured Debt / Adj. TTM EBITDA ³	1.7x	0.0x	0.0x
Gross Debt / Adj. TTM EBITDA ³	3.0x	1.7x	1.7x
Net Debt ² / Adj. TTM EBITDA ³	1.6x	0.5x	0.4x

¹ As of 6/30/17, 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 (redefined) operating income plus depreciation for the trailing 12 months.

Financial Outlook as of August 3, 2017

Raising full year revenues and earnings per share outlook

	Q3 2017		2017		Impact of GAAP Deferrals ²	
	GAAP	Non-GAAP ¹ (redefined)	GAAP	Non-GAAP ¹ (redefined)	Q3 2017	2017
Net Revenues	\$1,385M	\$1,385M	\$6,400M	\$6,400M	\$315M	\$175M
COGS (Prod/Game Ops)	23%	23%	22%	22%		
Op Ex, incl. Royalties	67%	49%	60%	45%		
Operating Margin ³	10%	28%	17%	33%		
Interest Expense from Debt	\$41M	\$40M	\$174M	\$156M		
Tax Rate	30%	25%	16%	24%		
EPS	\$0.09	\$0.34	\$1.05	\$1.94	\$0.11	\$0.06
Fully Diluted Weighted Avg. Shares ⁴	766M	766M	767M	767M		

Currency Assumptions for Current 2017 Outlook:

- \$1.12 USD/Euro (vs. \$1.11 avg. for 2016 & \$1.11 avg. for 2015)
- \$1.30 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

If you would like to calculate Non-GAAP metrics as previously defined, you would add the impact of GAAP deferrals to the relevant Non-GAAP (redefined) metrics. Please see materials from July 29, 2016 call for further details.

¹ Non-GAAP reconciliations are in the earnings release dated August 3, 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 and participating securities based on average share price.

A Portfolio of Compelling Franchises

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



Momentum on upcoming 2H releases, *Destiny 2* and *Call of Duty: WWII*



All-time record MAUs¹, up double-digit % Y/Y; more than doubled since early 2015



2 of top-10 grossing games on U.S. app stores for 15 consecutive quarters²



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 definition included in earnings release for additional details. ² U.S. ranking for Apple App Store and Google Play Store combined, per App Annie Intelligence for second quarter 2017.



Q&A

August 3, 2017