



ACTIVISION | BLIZZARD

THIRD QUARTER 2021 RESULTS

NOVEMBER 2, 2021

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 or services, restructuring activities, and employee retention and recruitment; (3) statements of future financial or operating performance, including the impact of tax items thereon; and (4) 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: the ongoing global impact of a novel strain of coronavirus which emerged in December 2019 (“COVID-19”) (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; 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 is likely to 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; competition; concentration of revenue among a small number of franchises; our ability to satisfy the expectations of consumers with respect to our brands, games, services, and/or business practices; our ability to attract, retain, and motivate skilled personnel; rapid changes in technology and industry standards; increasing importance of revenues derived from digital distribution channels; risks associated with the retail sales business model; 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; our ability to realize the expected benefits of, and effectively implement and manage, our restructuring actions; difficulties in integrating acquired businesses or otherwise realizing the anticipated benefits of strategic transactions; the seasonality in the sale of our products; 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; risks associated with our use of open source software; risks and uncertainties of conducting business outside the United States (the “U.S.”), including the recently enacted Chinese regulation that further limits the number of hours per week children under the age of 18 can play video games; 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; reliance on servers and networks to distribute and operate our games and our proprietary online gaming service; data breaches and other cybersecurity risks; significant disruption during our live events; risks related to the impacts of catastrophic events, including the susceptibility of some of our primary operating locations to earthquakes; provisions in our corporate documents that may make it more difficult for any person to

acquire control of our company; risks and costs associated with legal proceedings, including the impact of the complaint filed 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; court approval of our settlement agreement with the Equal Employment Opportunity Commission (“EEOC”) and successful implementation of the requirements of the agreement with the EEOC; 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 or exposure to additional tax liabilities, as well as the outcome of current or future tax disputes; 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 identified in “Risk Factors” included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

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 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.

Use of Non-GAAP Measures

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

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

- expenses related to share-based compensation;
- the amortization of intangibles from purchase price accounting;

- fees and other expenses related to 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.

Commitment to a Safe, Inclusive Working Environment

WE ARE COMMITTED TO BECOMING THE MOST WELCOMING, INCLUSIVE COMPANY IN OUR INDUSTRY. WE ARE TAKING FURTHER STEPS TO ADVANCE OUR COMMITMENT WITH GREATER IMPACT, TRANSPARENCY, AND URGENCY.

- We are **adding staff and resources to our ethics and compliance and employee relations teams**. We are continuing to thoroughly investigate each and every claim and complaint that we receive.
- We are implementing a **zero-tolerance harassment policy** across Activision Blizzard.
- We are **waiving required arbitration of future individual sexual harassment and discrimination claims**.
- We have introduced the **goal of increasing the percentage of women and non-binary people in our workforce by 50%** within the next five years.
- We plan to invest an additional \$250 million over the next 10 years in initiatives that foster **expanded opportunities in gaming and technology for under-represented communities**.
- To help us continue to recruit, retain and promote employees from all backgrounds and identities, we are implementing the **requirement for a diverse slate of candidates for all full-time open positions**.
- A review of 2020 U.S. pay equity at our company conducted by an independent firm showed that women on average earned slightly more than men for comparable work in 2020. We are **committed to compensation remaining equitable for men and women** performing comparable work in 2021, and beyond.
- In September we announced a **comprehensive agreement with the U.S. Equal Employment Opportunity Commission**, which is subject to court approval, to strengthen policies and programs intended to further improve the prevention of harassment, discrimination, and related conduct. As part of the agreement, we will establish an \$18 million fund to compensate those who have experienced such behavior at our company and elect to participate.

Executing Against Our Three Strategic Pillars

OUR STRATEGIC GROWTH DRIVERS

EXPAND AUDIENCE
REACH

DEEPEN
ENGAGEMENT

INCREASE PLAYER
INVESTMENT

OUR THIRD QUARTER RESULTS EXCEEDED OUR PRIOR OUTLOOK¹

Our monthly active users and time spent in our content were consistent with the year-ago level, even as regions continued to re-open, while net bookings and operating income grew year-over-year.

This performance again illustrates the structural expansion that our talented and passionate teams have driven in our largest franchises as they created new ways for players to interact with our intellectual properties, including free-to-play experiences. As we expand our largest franchises across new platforms and business models, we can broaden our communities, engage players in geographies outside of our traditional regions, and create more opportunities for player investment.

We continue to increase investment in creative talent so that each of our key franchises can meet the expectations of their fans.

CALL OF DUTY

DIABLO

OVERWATCH

WORLD
WARCRAFT

Candy
Crush

¹ Prior outlook provided August 3, 2021.

Update on Our Pipeline

- As we have worked with new leadership in Blizzard and within the franchises themselves, particularly in certain key creative roles, it has become apparent that some of the Blizzard content planned for next year will benefit from more development time to reach its full potential.
- While we are still planning to deliver a substantial amount of content from Blizzard next year, we are now planning for a later launch for **Overwatch® 2** and **Diablo® IV** than originally envisaged.
- These are two of the most eagerly anticipated titles in the industry, and our teams have made great strides towards completion in recent quarters. But we believe giving the teams some extra time to complete production and continue growing their creative resources to support the titles after launch will ensure that these releases delight and engage their communities for many years into the future.
- These decisions will push out the financial uplift that we had expected to see next year. But we are confident that this is the right course of action for our people, our players, and the long-term success of our franchises.

▼
CALL OF DUTY

▼
DIABLO

▼

OVERWATCH

▼

WORLD OF WARCRAFT

▼

Candy Crush

Activision

The **Call of Duty**® ecosystem sustained reach, engagement, and player investment well above levels seen prior to the introduction of free-to-play experiences across console, PC, and mobile. **Activision had 119 million MAUs in the third quarter.**

CALL OF DUTY

- MAUs in the **Call of Duty** franchise were consistent year-over-year on console and PC and grew on mobile.

**CALL OF DUTY
BLACK OPS
COLD WAR**

- On console and PC, **Call of Duty** MAUs and time spent exhibited very similar retention from Q2 to Q3 as our experiences in prior years.

**CALL OF DUTY
WARZONE**

- In-game player investment on console and PC remained well above the level seen prior to the **Warzone**™ launch, at approximately three times the level of Q3 2019.

**CALL OF DUTY
VANGUARD**

- Strong conversion from free-to-play drove premium sales higher than in any third quarter prior to the launch of **Warzone**.

**CALL OF DUTY
MOBILE**

- **Call of Duty: Vanguard** will release on November 5, followed by the roll out of **Call of Duty: Warzone Pacific**, the biggest update to the **Warzone** experience since launch, on December 2.

- For **Call of Duty Mobile**, net bookings grew over 40% year-over-year in the third quarter, driven by double digit growth in the West and a continued contribution from the game in China.
-

Blizzard

Blizzard segment revenue grew 20% year-over-year, driven by the successful launch of **Diablo II: Resurrected™**. Blizzard had 26 million MAUs in the third quarter.



- For **Diablo**, our plan to enter an era of unprecedented content scale for the franchise has experienced a strong start with the September release of **Diablo II: Resurrected**, the return of one of the most acclaimed titles in PC gaming history. First week sales of the title were the highest recorded for a remaster from the company.
- On mobile, **Diablo Immortal™** is in public testing and remains on track for release in the first half of next year.
- With **Diablo IV** set to be the foundation for great experiences for PC and console fans over many years, we believe the pieces are in place to expand and serve the Diablo community better than ever before.



- The Grand Finals of the **Overwatch League™** in September was the most-watched match in the league's history.
- Starting in the Spring, the next season of the **Overwatch League** will run on an early build of **Overwatch 2's** new 5v5 competitive multiplayer mode.



- **World of Warcraft®** reach and engagement continues to benefit from the combination of the Modern game and Classic under a single subscription.
- **World of Warcraft** is on track to deliver its strongest engagement and net bookings outside of a Modern expansion year in a decade.



- **Hearthstone®** net bookings were stable year-over-year in the third quarter.
- In October, the team launched **Mercenaries™**, an innovative role-playing mode that gives existing, returning and new **Hearthstone** players an entirely new way to play the game.

King

King segment revenue grew 22% year-over-year to a new quarterly record, with very strong year-over-year trends for both in-app purchases and advertising. King had 245 million MAUs in the third quarter.



- Hours played across the King portfolio grew year-over-year in the third quarter, with players responding positively to a more frequent cadence of compelling in-game content and events for key titles. Payer numbers grew by a double-digit percentage versus the year ago quarter.
- In-game net bookings for **Candy Crush™** grew over 20% year-over-year, with **Candy Crush** once again the top-grossing game franchise in the U.S. app stores¹.
- At the end of the third quarter King launched the **Candy Crush** All Stars U.S. tournament which has driven meaningful increases in installs, game rounds played and in-app purchases in recent weeks.



- King has been accelerating and refining content delivery in **Farm Heroes™**, its second largest franchise. This work continued to bear fruit in the third quarter, and in-game net bookings have grown around 20% year-over-year on a year-to-date basis.



- King's advertising business grew robustly, with quarterly revenue growing sequentially and year-over-year to a new high.
- Both volume and pricing grew strongly year-over-year, benefiting from the team's growing relationships with demand partners and the ongoing ramp of new categories of advertisers.

¹ Based on App Annie Intelligence.



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Third Quarter 2021 Results

	Q3 2020 Actual			Prior Q3 2021 Outlook ¹			Q3 2021 Actual		
	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²
Net Revenue	\$1,954M	\$1,954M	(\$187M)	\$1,970M	\$1,970M	(\$120M)	\$2,070M	\$2,070M	(\$190M)
Digital Revenues %	90%	90%					89%	89%	
Operating Income	\$778M	\$856M	(\$150M)				\$824M	\$893M	(\$154M)
Operating Margin	40%	44%	(4 pp)	35%	39%	(2 pp)	40%	43%	(4 pp)
Interest and Other Expense (Income)	\$56M	\$25M		\$31M	\$31M		\$65M	\$64M	
EPS	\$0.78	\$0.88	(\$0.17)	\$0.64	\$0.75	(\$0.10)	\$0.82	\$0.89	(\$0.17)
Fully Diluted Shares ³	779M	779M		785M	785M		783M	783M	
Net Bookings	\$1,767M			\$1,850M			\$1,880M		
In-Game Net Bookings	\$1,200M						\$1,198M		

¹ Prior outlook provided August 3, 2021.

² Non-GAAP reconciliations are in the earnings releases dated October 29, 2020, August 3, 2021, and November 2, 2021, which are available on www.activisionblizzard.com.

³ Represents the weighted-average common shares outstanding plus dilutive common shares under the treasury stock method.

Balance Sheet and Cash Flow Highlights

We delivered Q3 operating cash flow of \$521M, more than double the year ago level, driven by lower cash taxes and favorable working capital movements.

	Q3 2020	Q2 2021	Q3 2021
Cash and Investments	\$7.60B	\$9.64B	\$10.02B
Gross Debt ¹	\$3.65B	\$3.65B	\$3.65B
Net Cash²	\$3.95B	\$5.99B	\$6.37B
Operating Cash Flow	\$0.20B		\$0.52B
Free Cash Flow³	\$0.17B		\$0.50B

¹ As of September 30, 2021, includes notes with the maturity dates of 2026, 2027, 2030, 2047, and 2050.

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

³ Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Third Quarter 2021 Segment Results

			
Q3 Segment Net Revenue	\$641M	\$493M	\$652M
Q3 Segment Operating Income	\$244M 38% operating margin	\$188M 38% operating margin	\$303M 46% operating margin
Key Drivers	Year-to-date net bookings for the Activision segment and Call of Duty are higher Y/Y. For the quarter, Activision revenue was lower Y/Y, as expected in our outlook due to the launch of Tony Hawk's™ Pro Skater™ 1 + 2 in the year ago quarter and declines in Call of Duty upfront and in-game net bookings against a quarter that benefited from shelter-at-home mandates and the early ramp of Warzone .	Blizzard revenue of \$493 million grew 20% year-over-year, driven by the successful launch of Diablo II: Resurrected . Year-to-date, net bookings for Blizzard and for World of Warcraft , its largest franchise, were higher year-over-year.	King revenue grew 22% Y/Y, driven by another strong quarter for Candy Crush . Segment in-game net bookings grew in the mid-teens year-over-year while advertising grew approximately 60%. The team's strong execution across live operations, marketing and advertising drove records for both revenue and operating income, both for the quarter and year-to-date.

Note: These segment results are consistent with how we report our U.S. GAAP segment results externally in the footnotes to our financial statements. The segment performance is exclusive of the impact of the change in deferred revenues and related cost of revenues with respect to certain of our online-enabled products, share-based compensation expense, amortization of intangible assets as a result of purchase price accounting, fees and other expenses related to financings and acquisitions, including integration activities, certain restructuring and related costs, and other non-cash charges. Reconciliation of our segment results to our consolidated results is included in the earnings release dated November 2, 2021, which is available on www.activisionblizzard.com.

Financial Outlook as of November 2, 2021

	Q4 2021			2021		
	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²
Net Revenue	\$2,020M	\$2,020M	\$763M	\$8,660M	\$8,660M	(\$10M)
Product Costs, Game Ops & Distribution	22%	22%		20%	20%	
Operating Expenses, Incl. SW Amort ³	48%	44%		43%	39%	
Operating Margin ⁴	30%	34%	13 pp	37%	41%	1 pp
Interest and Other Expense (Income)	\$33M	\$33M		\$84M	\$82M	
Tax Rate	26%	25%		18%	17%	
EPS	\$0.54	\$0.62	\$0.67	\$3.27	\$3.70	\$0.06
Fully Diluted Shares ⁵	785M	785M		784M	784M	
Net Bookings (Operating Metric)	\$2,783M			\$8,650M		

¹ Non-GAAP reconciliations are in the earnings release dated November 2, 2021, which is available on www.activisionblizzard.com.

² Net effect of revenue deferral accounting treatment on certain of our online enabled products.

³ Includes expenses related to product development, sales & marketing, and general & administrative, as well as software amortization & IP licenses costs.

⁴ May not recalculate due to rounding.

⁵ Represents the weighted-average common shares outstanding plus dilutive common shares under the treasury stock method.

Glossary of Operating Metrics

Monthly Active Users (“MAUs”) 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.

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.

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.



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Q&A SESSION

NOVEMBER 2, 2021