

CALL OF DUTY

WORLD OF WARCRAFT

HEARTHSTONE

OVERWATCH

DIABLO

STAR CRAFT

Candy Crush

Bubble Witch

FARM HEROES



ACTIVISION | BLIZZARD®

FOURTH QUARTER 2019 RESULTS

FEBRUARY 6, 2020

# SAFE HARBOR DISCLOSURE

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

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

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

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

# USE OF NON-GAAP MEASURES

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

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

- expenses related to share-based compensation;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to 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 (including the Tax Cuts and Jobs Act enacted in December 2017), amounts related to the potential or final resolution of tax positions, and other unusual or unique tax-related items and activities.

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

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

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

# FOURTH QUARTER 2019 RESULTS

## Better-than-expected Q4 financial results:

- Q4 GAAP revenues of \$1.99B versus guidance of \$1.81B
- Q4 net bookings<sup>1</sup> of \$2.71B versus guidance of \$2.65B
- Q4 GAAP EPS of \$0.68 versus guidance of \$0.29
- Q4 non-GAAP EPS of \$0.62 versus guidance of \$0.43

## Key highlights:

- Strong execution against some of our biggest opportunities enabled Activision Blizzard to exceed our fourth quarter outlook
- **Call of Duty**<sup>®</sup> reached more players in more countries and platforms than ever before, and saw strong growth in unit sales, in-game net bookings<sup>2</sup>, and mobile. These successes point to the broader global opportunity for our company
- The success of **World of Warcraft**<sup>®</sup> **Classic** also highlights the potential for compelling new content releases to amplify the size of our communities

<sup>1</sup> 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.

<sup>2</sup> 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.

# PROGRESS AGAINST OUR PLAN

Throughout 2019 we expanded our development teams and resources in order to accelerate the delivery of content in our pipeline. We were pleased to deliver significant progress in each of our four long-term strategic growth pillars, particularly in the fourth quarter.

## Delivering a consistent cadence of major new content releases

The expanded **Call of Duty** development organization delivered a highly successful **Call of Duty®: Modern Warfare®** release

Unit sell-through in Q4 increased a double-digit percentage vs. **Black Ops 4**, with growth across both console and PC

**World of Warcraft** continued to attract both new and returning players following the launch of **Classic**

## Improving live operations capabilities

Both engagement and in-game net bookings<sup>1</sup> for **Call of Duty: Modern Warfare** grew strongly Y/Y

**World of Warcraft Classic's** substantial content updates have kept the size of the active player community<sup>2</sup> well above pre-Classic levels

**Hearthstone®** engagement increased Q/Q in the fourth quarter

## Extending acclaimed console and PC franchises to mobile

The October launch of **Call of Duty® Mobile** was one of the most successful the industry has seen, driving Activision to record MAUs<sup>3</sup>

This highlights the opportunity for our other large franchises to reach hundreds of millions of new players as they expand onto mobile

## Adding new engagement models to our franchises

King's advertising business grew over 80% Y/Y in Q4

And in Q1, we launched the inaugural season of the city-based **Call of Duty League™** and the new homestand format for the **Overwatch League™**

Also in Q1, we announced our new strategic broadcast partnership with YouTube, bringing our world-class esports content to 200M+ gamer viewers worldwide

<sup>1</sup> 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.

<sup>2</sup> Defined as players with monthly or longer-term subscriptions.

<sup>3</sup> MAUs defined as number of individuals who accessed a particular game in a given month averaged across the number of months in a respective period. Refer to the definition included in today's earnings release for additional details.

# ACTIVISION

Monthly Active Users<sup>1</sup> of 128M



- For **Call of Duty: Modern Warfare**
  - Unit sell-through increased a double-digit percentage vs. **Call of Duty: Black Ops 4**, with growth across both console and PC combined, and PC sell-through on Battle.net growing 50% Y/Y
  - Full game downloads grew strongly, with console digital mix at almost 50%
  - In-game net bookings<sup>2</sup> grew a double-digit percentage vs. **Black Ops 4**
- In 2019, **Call of Duty** again generated more upfront console sales than any other franchise worldwide, a feat accomplished for 10 of the last 11 years<sup>3</sup>



- **Call of Duty Mobile** installs exceeded 150M, with the game reaching the top of the download charts in 150+ countries and regions, and ending Q4 in the top-15 grossing games in U.S. app stores<sup>4</sup>



- The Call of Duty League: launched with deeply experienced team owners, high profile sponsors, and streaming distribution through YouTube



- Across the Activision portfolio: **Call of Duty Mobile** won Mobile Game of the Year, **Crash™ Team Racing Nitro-Fueled** won Best Game in the Sports and Racing category, and FromSoftware's **Sekiro™: Shadows Die Twice** won Game of the Year

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

<sup>2</sup> 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.

<sup>3</sup> Per the NPD Group, GfK, GSD and internal estimates, based on dollar sales of front-line games.

<sup>4</sup> Per App Annie Intelligence and internal estimates for respective regions, app stores, and periods.

# BLIZZARD

Monthly Active Users<sup>1</sup> of 32M



- **World of Warcraft** exited 2019 with an active player community<sup>2</sup> more than twice the size of its Q2-ending level
- Blizzard has a rapid cadence of follow-on content planned for **Classic**, as well as the **Shadowlands**<sup>®</sup> expansion for modern **World of Warcraft**, in the second half of the year



- **Hearthstone** launched the **Descent of Dragons**<sup>™</sup> expansion and rolled out the new Battlegrounds game mode in Q4, which drove sequential growth in engagement
- Net bookings<sup>3</sup> also grew sequentially for the franchise



- **Overwatch** launched on the Nintendo Switch, further expanding a community that has surpassed 50M players globally since launch
- In February, the Overwatch League<sup>™</sup> will return with 20 established teams from around the world competing in a homestand format and matches broadcast live on YouTube



- **Diablo**<sup>®</sup> **Immortal**<sup>™</sup>, developed for mobile in partnership with NetEase, plans its first regional tests for the middle of 2020

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

<sup>2</sup> Defined as players with monthly or longer-term subscriptions.

<sup>3</sup> 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.

# KING

Monthly Active Users<sup>1</sup> of 249M



- **Candy Crush™** was once again the top-grossing franchise in U.S. app stores in Q4 and 2019<sup>2</sup>
- **Candy Crush** franchise mobile reach was stable Y/Y, benefiting from growth in King's largest title, **Candy Crush Saga™**
- **Candy Crush Saga** was the top-grossing title in U.S. app stores<sup>2</sup>



- King's advertising business:  
Net bookings<sup>3</sup> grew more than 80% Y/Y in Q4, and exceeded \$150M in 2019
- King's pipeline:  
King is investing in several promising new titles, including content based on Activision's beloved catalog IP. Regional testing of some of these titles will begin in 2020

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

<sup>2</sup> Per App Annie Intelligence for respective regions, app stores, and periods.

<sup>3</sup> 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.

# FOURTH QUARTER 2019 SEGMENT RESULTS

			
Q4 Segment Net Revenues:	\$1,426M	\$595M	\$503M
Q4 Segment Operating Income:	\$696M 49% operating margin	\$260M 44% operating margin	\$197M 39% operating margin
Key Highlights:	<ul style="list-style-type: none"> <li>Revenue growth led by <b>Call of Duty</b> in both upfront and in-game revenues on console and PC, and the addition of <b>Call of Duty: Mobile</b></li> <li>Operating margin lower Y/Y, largely driven by marketing spend for <b>Call of Duty: Mobile</b></li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth for <b>World of Warcraft</b> and <b>Overwatch</b> offset by declines in <b>Hearthstone</b> and <b>Diablo</b></li> <li>Operating margin significantly higher Y/Y due to mix and lower costs</li> </ul>	<ul style="list-style-type: none"> <li>Strong growth in advertising revenues offset by King's actions to prioritize mobile payer engagement as well as a Y/Y decline in web titles</li> <li>Operating margin 1pp higher Y/Y driven by high incremental margins from advertising</li> </ul>

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 February 6, 2020, which is available on [www.activisionblizzard.com](http://www.activisionblizzard.com).

# FOURTH QUARTER 2019 RESULTS

	Q4 2018 Actual			Prior Q4 2019 Outlook <sup>1</sup>			Q4 2019 Actual		
	GAAP <sup>2</sup>	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals	GAAP	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals	GAAP <sup>4</sup>	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals
<b>Net Revenues</b>	\$2,381M	\$2,381M	\$454M	\$1,812M	\$1,812M	\$834M	\$1,986M	\$1,986M	\$722M
Digital Revenues %	75%	75%					72%	72%	
<b>Operating Income</b>	\$694M	\$838M	\$368M				\$454M	\$591M	\$577M
<b>Operating Margin</b>	29%	35%	8 pp	19%	27%	16 pp	23%	30%	13 pp
<b>Interest and Other Expense (Income)</b>	\$4M	\$4M		\$3M	\$2M		\$7M	\$7M	
<b>EPS</b>	\$0.89	\$0.90	\$0.39	\$0.29	\$0.43	\$0.72	\$0.68	\$0.62	\$0.61
<b>Total Share Count for EPS</b>	771M	771M		774M	774M		773M	773M	
<b>Operating Cash Flow</b>		\$999M						\$918M	
<b>Free Cash Flow<sup>5</sup></b>		\$965M						\$881M	
<b>Net Bookings (operating metric)<sup>6</sup></b>		\$2,835M			\$2,646M			\$2,708M	
<b>In-Game Net Bookings (operating metric)<sup>7</sup></b>		\$1,204M						\$1,085M	

<sup>1</sup> Prior outlook provided November 7, 2019.

<sup>2</sup> Our Q4 2018 GAAP EPS has been revised to reflect the reduction in income tax expense for Q4 2018 that was identified in Q1 2019. Please refer to the financial tables included in the back of our earnings releases dated February 6, 2020 for further details.

<sup>3</sup> Non-GAAP reconciliations are in the earnings releases dated February 12, 2019, November 7, 2019, and February 6, 2020, which are available on [www.activisionblizzard.com](http://www.activisionblizzard.com).

<sup>4</sup> For Q4 2019, GAAP results include restructuring and related charges of \$30M.

<sup>5</sup> Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

<sup>6</sup> 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.

<sup>7</sup> 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.

# 2019 RESULTS

	2018 Actual			Prior 2019 Outlook <sup>1</sup>			2019 Actual		
	GAAP <sup>2</sup>	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals	GAAP	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals	GAAP <sup>4</sup>	Non-GAAP <sup>3</sup>	Impact of GAAP deferrals
<b>Net Revenues</b>	\$7,500M	\$7,500M	(\$238M)	\$6,315M	\$6,315M	\$10M	\$6,489M	\$6,489M	(\$101M)
Digital Revenues %	77%	77%					76%	76%	
Operating Income	\$1,988M	\$2,577M	(\$100M)				\$1,607M	\$2,130M	(\$52M)
Operating Margin	27%	34%	-	24%	32%	-	25%	33%	-
Interest and Other Expense (Income)	\$111M	\$69M		(\$30M)	(\$32M)		(\$26M)	(\$28M)	
<b>EPS</b>	<b>\$2.40</b>	<b>\$2.72</b>	<b>(\$0.12)</b>	<b>\$1.56</b>	<b>\$2.13</b>	<b>\$0.04</b>	<b>\$1.95</b>	<b>\$2.31</b>	<b>(\$0.06)</b>
Total Share Count for EPS	771M	771M		772M	772M		771M	771M	
<b>Operating Cash Flow</b>		<b>\$1,790M</b>						<b>\$1,831M</b>	
<b>Free Cash Flow<sup>5</sup></b>		<b>\$1,659M</b>						<b>\$1,715M</b>	
<b>Net Bookings (operating metric)<sup>6</sup></b>		<b>\$7,262M</b>			<b>\$6,325M</b>			<b>\$6,388M</b>	
<b>In-Game Net Bookings (operating metric)<sup>7</sup></b>		<b>\$4,203M</b>						<b>\$3,366M</b>	

<sup>1</sup> Prior outlook provided November 7, 2019.

<sup>2</sup> Our 2018 GAAP EPS has been revised to reflect the reduction in income tax expense for Q4 2018 that was identified in Q1 2019. Please refer to the financial tables included in the back of our earnings releases dated February 6, 2020 for further details.

<sup>3</sup> Non-GAAP reconciliations are in the earnings releases dated February 12, 2019, November 7, 2019, and February 6, 2020, which are available on [www.activisionblizzard.com](http://www.activisionblizzard.com).

<sup>4</sup> For 2019, GAAP results include restructuring and related charges of \$137M.

<sup>5</sup> Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

<sup>6</sup> 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.

<sup>7</sup> 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.

# BALANCE SHEET AS OF DECEMBER 31, 2019

*Q4 adjusted EBITDA of \$621M*

	12/31/2018	9/30/2019	12/31/2019
Cash and investments	\$4.38B	\$4.95B	\$5.86B
Gross Debt <sup>1</sup>	\$2.70B	\$2.70B	\$2.70B
Net Cash <sup>2</sup>	\$1.68B	\$2.25B	\$3.16B
Adjusted TTM EBITDA <sup>3</sup>	\$2,716M	\$2,505M	\$2,255
Gross Debt / Adj. TTM EBITDA <sup>3</sup>	1.0x	1.1x	1.2x

## 2020 Capital Allocation:

- Increasing 2020 dividend by 11% to \$0.41 per share

<sup>1</sup> As of December 31, 2019, includes notes with the maturity dates of 2021, 2022, 2026, 2027, and 2047.

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

<sup>3</sup> Adjusted TTM EBITDA, for any given date, is calculated as non-GAAP operating income plus depreciation for the trailing twelve months.

# FINANCIAL OUTLOOK AS OF FEBRUARY 6, 2020

	Q1 2020			2020		
	GAAP <sup>1,2</sup>	Non-GAAP <sup>1</sup>	Impact of GAAP Deferrals <sup>3</sup>	GAAP <sup>1,2</sup>	Non-GAAP <sup>1</sup>	Impact of GAAP Deferrals <sup>3</sup>
<b>Net Revenues</b>	<b>\$1,640M</b>	<b>\$1,640M</b>	<b>(\$365M)</b>	<b>\$6,450M</b>	<b>\$6,450M</b>	<b>\$275M</b>
Product Costs, Game Ops & Distribution	21%	21%		22%	23%	
Operating Expenses, Incl. SW Amort <sup>4</sup>	48%	41%		50%	44%	
<b>Operating Margin<sup>5</sup></b>	<b>31%</b>	<b>38%</b>	<b>(12 pp)</b>	<b>28%</b>	<b>33%</b>	<b>1 pp</b>
Interest and Other Expense (Income)	\$4M	\$4M		\$22M	\$20M	
Tax Rate	17%	17%		19%	19%	
<b>EPS</b>	<b>\$0.55</b>	<b>\$0.66</b>	<b>(\$0.31)</b>	<b>\$1.85</b>	<b>\$2.22</b>	<b>\$0.13</b>
Fully Diluted Weighted Avg. Shares <sup>6</sup>	775M	775M		778M	778M	
<b>Net Bookings (operating metric)<sup>7</sup></b>	<b>\$1,275M</b>			<b>\$6,725M</b>		

<sup>1</sup> Non-GAAP reconciliations are in the earnings release dated February 6, 2020, which is available on [www.activisionblizzard.com](http://www.activisionblizzard.com).

<sup>2</sup> Our GAAP outlook include approximately \$35M and \$50M of restructuring and related charges for Q1 and 2020, respectively, that we expect to incur as we continue to execute against our previously disclosed restructuring plan.

<sup>3</sup> Net effect of revenue deferral accounting treatment on certain of our online enabled products.

<sup>4</sup> Includes expenses related to product development, sales & marketing, and general & administrative, as well as software amortization & IP licenses costs.

<sup>5</sup> May not recalculate due to rounding.

<sup>6</sup> Including fully diluted shares based on average share price.

<sup>7</sup> 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.

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Q&A

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