ACTIVISION | BLIZZARD

FIRST QUARTER 2019 RESULTS

MAY 2, 2019

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 stock-based compensation;
- the amortization of intangibles from purchase price accounting;
- fees and other expenses related to the King acquisition, 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.

FIRST QUARTER 2019 RESULTS

Better-than-expected Q1 financial results:

- Q1 GAAP revenues of $1.8B versus guidance of $1.7B
- Q1 GAAP EPS of $0.58 versus guidance of $0.39
- Q1 non-GAAP EPS of $0.78 versus guidance of $0.63
- Q1 net bookings[1] of $1.3B versus guidance of $1.2B

Maintaining full year-guidance:

- Expect 2019 GAAP revenues of $6.0B, including GAAP deferrals of $275M, and GAAP EPS of $1.18
- Expect 2019 non-GAAP EPS of $1.85, including GAAP deferrals of $0.25
- Expect 2019 net bookings[1] of $6.3B

Key highlights:

- Outperformed our first quarter outlook, reflecting strong operational discipline
- Made progress against the plan outlined in our February earnings call to reinforce the foundation for future growth
- Strong momentum in esports, and sold the first five franchises for the professional Call of Duty league to owners who recognize the scale of the opportunity from their partnerships with us on the Overwatch League

[1] 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 plus the impact from deferrals.

FOUR KEY AREAS OF FOCUS

Major Content Releases	Live Operations	Franchise Expansion onto Mobile	New Engagement Models
We are focused on delivering a strong cadence of major content releases, where we meet the growing demand of the industry's gaming communities and release our high-quality content more frequently.	We continue to grow our live operations capabilities, to deliver great content, services, features, and events that continuously engage our communities and drive in-game revenues.	We are building on our existing mobile leadership as we extend our acclaimed console and PC franchises to the largest and fastest-growing gaming platform.	We are expanding the reach, engagement and monetization of our franchises as we build on early success in esports, in-game advertising, and consumer initiatives.

PROGRESS AGAINST OUR PLAN

Major Content Releases	Live Operations	Franchise Expansion onto Mobile	New Engagement Models

Increasing developer headcount on our biggest franchises, adding resources across each of four pillars of major content releases, live ops, mobile and new engagement models

Investing in **tech platforms**, building cross-platform tools and capabilities that make us more agile in content delivery and increase the opportunity for collaboration across teams

Greater resources available to continue refining the optimal **business model** for our franchises, including assessing opportunities around free-to-play

Major program underway to **integrate global and regional sales and go-to-market, partnerships, and sponsorships capabilities** across the business

AUDIENCE REACH

	Activision	Blizzard	King	Overall
Q1 MAUs[1]:	41M	32M	272M	345M

Details:	
	• King MAUs[1] were up Q/Q for the second quarter in a row driven by the ***Candy Crush™*** franchise where MAUs[1] grew Q/Q and Y/Y • ***Candy Crush Friends Saga™*** continues to attract both former and new players to the franchise
	• ***Call of Duty®: Mobile*** coming to regions including North America, South America, and Europe with pre-launch betas arriving later this year
	• ***Sekiro™: Shadows Die Twice*** launched in March to 90-plus Metacritic scores, and the game sold-through more than two million copies worldwide in its first 10 days

[1] 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.

DEEP ENGAGEMENT

Details:	
	• For each of Activision, Blizzard and King, daily time spent per user playing our games increased Y/Y • For Activision Blizzard overall, average daily time spent per user was approximately 50 minutes
	• Daily time spent per player across the ***Candy Crush*** franchise reached a new high, driving the King network to a record of 38 minutes
	• ***Call of Duty: Black Ops 4***'s Blackout mode drove double-digit growth for both total hours played in the quarter and daily time spent per player, versus ***Call of Duty: WWII*** • The professional ***Call of Duty*** esports initiative is off to a strong start. Five Overwatch League™ team owners have secured rights to Atlanta, Dallas, New York, Paris, and Toronto
	• The second season of the Overwatch League commenced in February to sell-out crowds at the Blizzard Arena • Viewership hours for the second season to date are over 30% higher than in the first season • Dallas Fuel hosted the league's first home games in front of a sell-out crowd of thousands of fans

PLAYER INVESTMENT

Details:	
	• Activision Blizzard delivered approximately $800M of in-game net bookings in Q1
	• For the twenty-second quarter in a row, King had two of the top-10 highest-grossing titles in the U.S. mobile app stores[1] • Monetization and retention trends in ***Candy Crush Friends Saga*** remained strong in Q1, enabling ROI-positive user acquisition that we expect to contribute to financial results for the rest of the year
	• The team continues to iterate around in-game features and offerings within ***Black Ops 4***, testing new ways for players to participate in in-game content both for that game and future titles

[1] U.S. ranking for Apple App Store and Google Play Store combined, per App Annie Intelligence for first quarter of 2019.

FIRST QUARTER 2019 SEGMENT RESULTS

	ACTIVISION	BLIZZARD ENTERTAINMENT	King
Q1 Segment Net Revenues:	**$317M**	**$344M**	**$529M**
Q1 Segment Operating Income:	**$73M** ***23% operating margin***	**$55M** ***16% operating margin***	**$178M** ***34% operating margin***
Key Highlights:	• Key contributors to the quarter were ***Call of Duty*** in-game and catalog net bookings and the successful launch of ***Sekiro: Shadows Die Twice*** • Segment revenues increased 2% Y/Y • Segment operating margin lower Y/Y due to mix effects	• Segment revenues in-line with expectations • Segment operating margin of 16% was lower Y/Y due to decline in segment in-game revenues, partially offset by lower costs	• ***Candy Crush*** franchise net bookings grew Y/Y with the advertising business more than doubling over the same period • Segment revenue roughly flat Y/Y • Segment operating income and margin declined Y/Y due to investments in marketing for ***Candy Crush Friends Saga***

[1] 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.

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 costs, and other non-cash charges. Reconciliation of our segment results to our consolidated results is included in the earnings release dated May 2, 2019, which is available on www.activisionblizzard.com.

FIRST QUARTER 2019 RESULTS

	Q1 2018 Actual			Prior Q1 2019 Outlook[1]			Q1 2019 Actual		
	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals	GAAP	Non-GAAP[2]	Impact of GAAP deferrals
Net Revenues	**$1,965M**	**$1,965M**	**($581M)**	**$1,715M**	**$1,715M**	**($540M)**	**$1,825M**	**$1,825M**	**($567M)**
Digital Revenues %	74%	74%					76%	76%	
Operating Income	$595M	$767M	($373M)				$570M	$744M	($441M)
Operating Margin	30%	39%		23%	37%	(20 pp)	31%	41%	
Interest Expense, Net	$28M	$27M		-	-		$3M	$3M	
EPS	**$0.65**	**$0.78**	**($0.40)**	**$0.39**	**$0.63**	**($0.43)**	**$0.58**	**$0.78**	**($0.47)**
Total Share Count for EPS	770M	770M		772M	772M		770M	770M	

	Q1 2018 Actual	Prior Q1 2019 Outlook	Q1 2019 Actual
Operating Cash Flow	**$529M**		**$450M**
Free Cash Flow[3]	**$498M**		**$432M**
Net Bookings (operating metric)	**$1,384M**	**$1,175M**	**$1,258M**

[1] Prior outlook provided February 12, 2019.
[2] Non-GAAP reconciliations are in the earnings releases dated May 3, 2018, February 12, 2019, and May 2, 2019, which are available on www.activisionblizzard.com.
[3] Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

BALANCE SHEET AS OF MARCH 31, 2019

Q1 adjusted EBITDA of $777M

	3/31/2018	12/31/2018	3/31/2019
Cash and investments	**$5.30B**	**$4.38B**	**$4.84B**
Term loans	$0.99B	-	-
Notes[1]	$3.45B	$2.70B	$2.70B
Gross Debt	**$4.44B**	**$2.70B**	**$2.70B**
Net Cash[2]	**$0.86B**	**$1.68B**	**$2.14B**
Adjusted TTM EBITDA[3]	**$2,482M**	**$2,716M**	**$2,689M**
Gross Debt / Adj. TTM EBITDA[3]	1.8x	1.0x	1.0x

2019 Capital Allocation:

- Dividend of $0.37 per share payable on May 9, 2019
- Two-year $1.5B stock repurchase authorization, started Feb 14, 2019

[1] As of 3/31/19, includes notes for the maturity dates of 2021, 2022, 2026, 2027, and 2047.
[2] Net cash is defined as cash and cash equivalents, short-term investments and long-term investments minus gross debt.
[3] 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 MAY 2, 2019

	Q2 2019			2019		
	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]	GAAP[1]	Non-GAAP[1]	Impact of GAAP Deferrals[2]
Net Revenues	**$1,315M**	**$1,315M**	**($165M)**	**$6,025M**	**$6,025M**	**$275M**
Product Costs, Game Ops & Distribution	25%	25%		25%	25%	
Operating Expenses, Incl. SW Amort[3]	59%	49%		55%	45%	
Operating Margin[4]	16%	26%	(6 pp)	20%	30%	2 pp
Interest Expense, Net	-	-		-	-	
Tax Rate	24%	22%		24%	20%	
EPS	**$0.21**	**$0.35**	**($0.12)**	**$1.18**	**$1.85**	**$0.25**
Fully Diluted Weighted Avg. Shares[5]	771M	771M		774M	774M	
Net Bookings (operating metric)	**$1,150M**			**$6,300M**		

Currency Assumptions for Current 2019 Outlook:

- *$1.19 USD/Euro (vs. $1.12 avg. for 2018, $1.12 for 2017, & $1.11 for 2016)*
- *$1.33 USD/GBP (vs. $1.30 avg. for 2018, $1.30 for 2017, & $1.36 for 2016)*
- *Note: Our financial guidance includes the forecasted impact of our FX hedging program*

[1] Non-GAAP reconciliations are in the earnings release dated May 2, 2019, which is available on www.activisionblizzard.com. For 2019, GAAP outlook includes restructuring charge of approximately $35M for Q2 and approximately $150M for the full year.
[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] Including fully diluted shares based on average share price.

Q&A

MAY 2, 2019