



First Quarter 2017 Results

May 4, 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: the diversion of management time and attention to issues relating to the operations of our acquired or newly started businesses; 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 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 and Record Performance

Raising full year guidance

Better-than-expected Q1 financial results

- Record Q1 GAAP total revenues up 19% Y/Y and digital revenues up 50% Y/Y
- Record Q1 GAAP EPS up 17% Y/Y and non-GAAP (redefined)¹ EPS up 24% Y/Y
- Record Q1 operating cash flow of \$411M, up 22% Y/Y

Raising full year guidance

- Increasing 2017 GAAP outlook to revenues of \$6.1B, including net deferrals of \$230M, and GAAP EPS of \$0.88
- Increasing 2017 non-GAAP (redefined)¹ outlook to EPS of \$1.80, including net deferrals of \$0.08

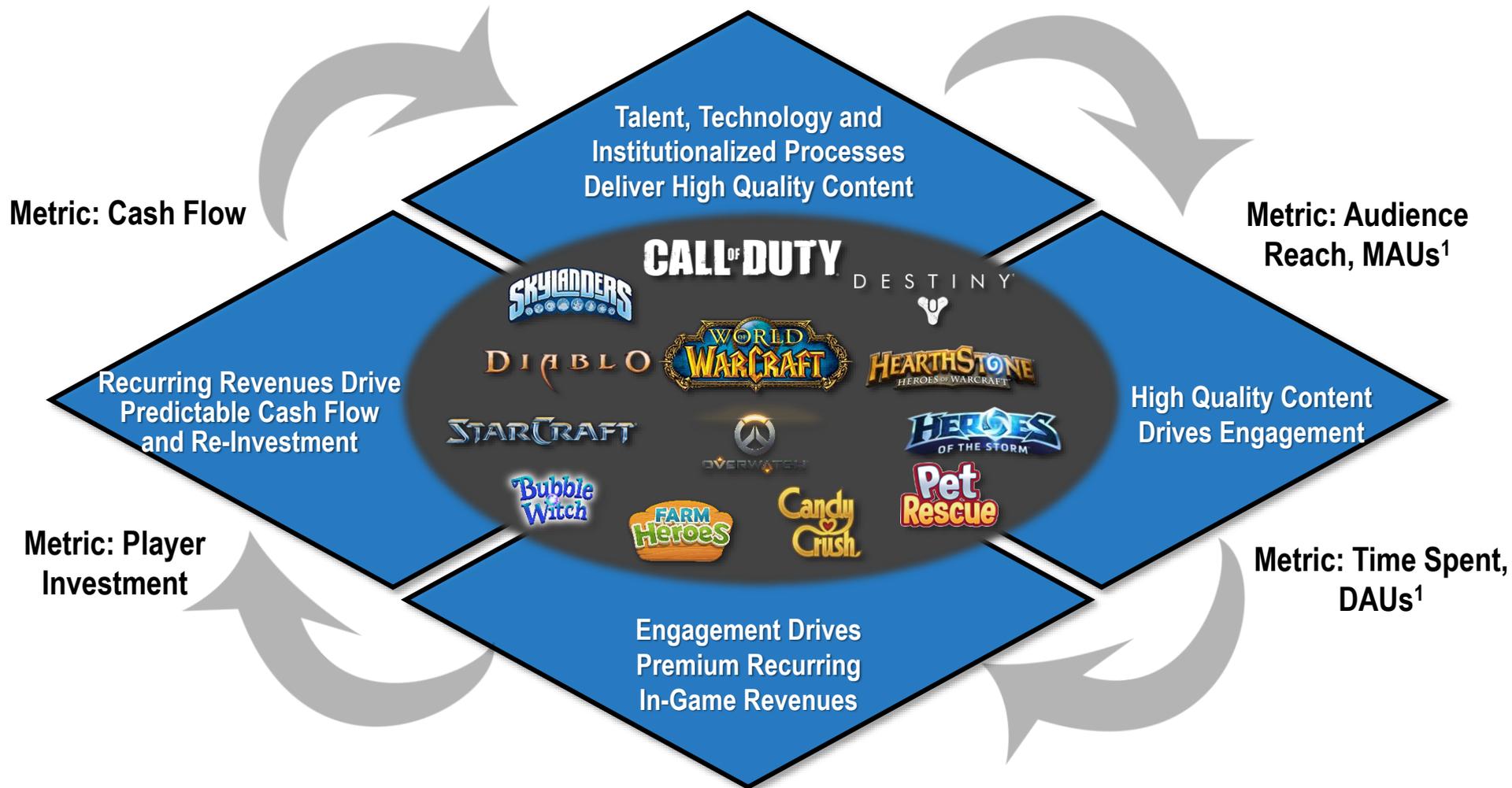
Emerging opportunities

- Continue to invest in both in-game growth opportunities as well as adjacent opportunities like consumer products, advertising and esports
- We believe the opportunity to further professionalize esports now exists, and the impact over time could be significant
- Launching Overwatch League™ later this year to celebrate and reward our players, and deliver spectator content to hard-to-reach digital native audience
- Advertising in King's mobile games is a large untapped opportunity; we continue to make progress testing and developing our advertising platform

¹ Non-GAAP information: reconciliation tables in the appendix of the earnings release dated May 4, 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

431M MAUs¹ in the quarter across the company

Q1 MAUs¹

Activision	Blizzard	King
48M	41M	342M

Details:



- 8th billion-dollar franchise in Activision Blizzard's portfolio
- Q1 MAUs¹ rose to new franchise high
- Reached 30M registered players faster than any franchise in Blizzard history



- Q1 MAUs¹ were up Y/Y and Q/Q despite no new content released this quarter
- Recently surpassed 70M registered players life-to-date



- **Call of Duty®: WWII** set to return franchise to its roots on November 3, 2017
- Initial pre-orders are off to a very strong start
- Reveal trailer most liked **Call of Duty** trailer ever and fastest to 10M views



- **Destiny 2** is set to release on consoles and PCs on September 8, 2017
- Early indicators, including pre-orders, are very strong
- SKUs that contain the expansion pass have attracted the majority of pre-orders so far

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.

Deep Engagement

Approx. 40B hours spent playing our games in the past twelve months

Details:



- Blizzard had record Q1 time spent, which grew a double-digit percentage Y/Y



- **Overwatch**[®]'s **Year of the Rooster** seasonal event to celebrate Lunar New Year drove engagement records; latest seasonal event, **Uprising**, launched April 11 with a player-versus-environment game mode which drew record hours of player engagement



- Launched **Heroes of the Storm**[®] **2.0**, bringing players back into the game



- **World of Warcraft**[®] time spent grew Y/Y and **Legion**[™]'s overall performance is slightly ahead of the prior expansion



- **Hearthstone**[®] set a record for DAUs¹ in April with the release of the latest expansion, **Journey to Un'Goro**[™]



- Total play time increased Q/Q, and time spent per DAU¹ is now a record 35 minutes
- DAUs¹ to MAUs² ratio is at its highest point since 2013



- **Call of Duty World League Championship**, the franchise's biggest competitive event of the year, will be held in August in Orlando with 32 teams from around the world competing for prize pool of \$1.5M as part of largest CWL season-long prize pool to date of \$4M

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 Opportunities for Player Investment

Virtuous cycle of engagement leading to more player investment

Details:



- Grew in-game revenues by over 25% Y/Y, driven by **Overwatch** and **World of Warcraft**



- On May 16, 2017, **Call of Duty: Black Ops III** fans will receive a new content offering, **Zombies Chronicles**, a remastered collection of the franchise's most beloved Zombies content



- Gross bookings¹ per paying user has increased seven quarters in a row to a new record
- 2 of the top-10 grossing games in the U.S. for the 14th quarter in a row²
- Stability in **Candy Crush**TM franchise with mobile gross bookings¹ up Q/Q
- Publishing partnership with PlayStudios to enter the social casino genre later this year



- King and Activision partnering on the creation of a **Call of Duty** mobile experience

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 first quarter 2017.

First Quarter Segment Results

Record Q1 total reportable segment revenues and operating income

			
Segment Net Revenues:	\$215M	\$441M	\$474M
Segment Operating Income:	\$24M	\$166M	\$166M
Segment Operating Margin:	11%	38%	35%
	<ul style="list-style-type: none"> As anticipated, Q1 results were down due to lower in-game digital sales Expect a back-end loaded year with two full game releases to come 	<ul style="list-style-type: none"> Revenues grew 50% Y/Y Operating income nearly doubled Y/Y, driven primarily by the success of <i>Overwatch</i> and <i>World of Warcraft</i> 	<ul style="list-style-type: none"> Revenues grew 9% Q/Q OI also grew Q/Q Continued growth in per player engagement and player investment

Note: Segment results here are consistent with how we report our US 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 appendix of the earnings release dated May 4, 2017, which is available on www.activisionblizzard.com.

Better-than-Expected First Quarter 2017 Results

Record Q1 total revenues, digital revenues, EPS, and cash flows

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

Digital Revenues %

Operating Income

Operating Margin

Interest Expense from Debt

EPS

Total share count for EPS³

Operating Cash Flow⁴

Free Cash Flow^{4,5}

Q1 2016 Actual

GAAP	Non-GAAP ² (redefined)	Impact of GAAP deferrals
\$1,455M	\$1,455M	(\$547M)
64%	64%	
\$461M	\$621M	(\$369M)
32%	43%	
\$57M	\$56M	
\$0.48	\$0.58	(\$0.35)
753M	753M	

\$337M

\$310M

Prior Q1 2017 Outlook¹

GAAP	Non-GAAP ² (redefined)	Impact of GAAP deferrals
\$1,550M	\$1,550M	(\$500M)
18%	35%	
\$43M	\$39M	
\$0.25	\$0.51	(\$0.33)
760M	760M	

Q1 2017 Actual

GAAP	Non-GAAP ² (redefined)	Impact of GAAP deferrals
\$1,726M	\$1,726M	(\$530M)
80%	80%	
\$493M	\$747M	(\$396M)
29%	43%	
\$42M	\$37M	
\$0.56	\$0.72	(\$0.41)
761M	761M	

\$411M, up 22% Y/Y

\$390M, up 26% Y/Y

¹ Prior outlook provided February 9, 2017. ² Non-GAAP reconciliations are in the appendices of the earnings releases dated February 9, 2017 and May 4, 2017, which are available on www.activisionblizzard.com. ³ Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. ⁴ 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 released dated November 3, 2016, for more details. ⁵ Free Cash Flow represents Operating Cash Flow minus Capital Expenditure.

Balance Sheet

Paid down \$500M of term loan in Q1; \$0.30/share dividend to be paid on May 10

	3/31/16	12/31/16	3/31/17
Cash and investments	\$2.91B	\$3.27B	\$3.27B
Term loan B	\$1.12B	---	---
Term loan A	\$2.55B	\$2.69B	\$2.19B
2021 Notes	---	\$0.65B	\$0.65B
Old 2021 Notes	\$1.50B	---	---
2023 Notes	\$0.75B	\$0.75B	\$0.75B
2026 Notes	---	\$0.85B	\$0.85B
Gross Debt	\$5.92B	\$4.94B	\$4.44B
Net Debt¹	\$3.01B	\$1.67B	\$1.17B
Adjusted TTM EBITDA²	\$1,577M	\$2,447M	\$2,581M
Secured Debt / Adj. TTM EBITDA ²	2.3x	NA	NA
Gross Debt / Adj. TTM EBITDA ²	3.8x	2.0x	1.7x
Net Debt ³ / Adj. TTM EBITDA ²	1.9x	0.7x	0.5x

¹ Net debt is defined as gross debt less cash and cash equivalents, short-term investments and long-term investments.

² Adjusted TTM EBITDA is calculated as non-GAAP (redefined) operating income plus depreciation for the trailing 12 months of respective periods ended.

Financial Outlook as of May 4, 2017

Raising full year revenues and earnings per share outlook

	Q2 2017		2017		Impact of GAAP Deferrals ²	
	GAAP	Non-GAAP ¹ (redefined)	GAAP	Non-GAAP ¹ (redefined)	Q2 2017	2017
Net Revenues	\$1,425M	\$1,425M	\$6,100M	\$6,100M	(\$225M)	\$230M
COGS (Prod/Game Ops)	23%	23%	22%	22%		
Op Ex, incl. Royalties	64%	48%	62%	46%		
Operating Margin³	13%	29%	16%	32%		
Interest Expense from Debt	\$37M	\$36M	\$157M	\$149M		
Tax Rate	26%	24%	17%	24%		
EPS	\$0.15	\$0.38	\$0.88	\$1.80	(\$0.11)	\$0.08
Fully Diluted Weighted Avg. Shares ⁴	764M	764M	767M	767M		

Currency Assumptions for Current 2017 Outlook:

- \$1.09 USD/Euro (vs. \$1.11 avg. for 2016 & \$1.11 avg. for 2015)
- \$1.28 USD/GBP (vs. \$1.36 avg. for 2016 & \$1.53 avg. for 2015)
- Note: Revenue and EPS increase if the Euro or GBP strengthen vs. USD

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 information: reconciliation tables in the appendix of the earnings release dated May 4, 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

ACTIVISION

Early momentum on 2H releases, *Destiny 2* and *Call of Duty: WWII*

CALL OF DUTY

DESTINY

SKYLANDERS

BILZARD

ENTERTAINMENT

Record Q1 MAUs¹ and time spent, up double-digit % Y/Y; in-game revenues grew by over 25% Y/Y

WORLD OF WARCRRAFT

HEARTHSTONE

HEROES OF WARCRRAFT

OVERWATCH

DIABLO

STARCRRAFT

HEROES OF THE STORM

King

2 of top 10 grossing games on U.S. app stores for 14 consecutive quarters²

Candy Crush

Pet Rescue

FARM HEROES

Bubble Witch

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 first quarter 2017.



Q&A

May 4, 2017