



Fourth Quarter 2014 Results

February 5, 2015

Safe Harbor Disclosure

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

The statements contained in this presentation 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 product releases; and (3) statements of future financial or operating performance. The Company generally uses words such as “outlook,” “forecast,” “will,” “could,” “should,” “would,” “to be,” “plan,” “plans,” “believes,” “may,” “might,” “expects,” “intends,” “intends as,” “anticipates,” “estimate,” “future,” “positioned,” “potential,” “project,” “remain,” “scheduled,” “set to,” “subject to,” “upcoming” and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risk, reflect management’s current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict.

The Company cautions that a number of important factors could cause Activision Blizzard's actual future results and other future circumstances to differ materially from those expressed in any forward looking statements. Such factors include, but are not limited to, sales levels of Activision Blizzard's titles, increasing concentration of titles, shifts in consumer spending trends, the impact of the current macroeconomic environment, Activision Blizzard's ability to predict consumer preferences, including interest in specific genres, such as first-person action, massively multiplayer online and “toys to life” games, and preferences among hardware platforms, the seasonal and cyclical nature of the interactive game market, changing business models, including digital delivery of content, competition including from used games and other forms of entertainment, possible declines in software pricing, product returns and price protection, product delays, adoption rate and availability of new hardware (including peripherals) and related software, particularly during the ongoing console transition, rapid changes in technology and industry standards, the current regulatory environment, litigation risks and associated costs, protection of proprietary rights, maintenance of relationships with key personnel, customers, financing providers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, the identification of suitable future acquisition opportunities, and potential challenges associated with geographic expansion, capital market risks, the possibility that expected benefits related to the transactions involving the repurchase of shares from Vivendi S.A. may not materialize as expected, the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt, and the other factors identified in “Risk Factors” included in Part I, Item 1A of Activision Blizzard's most recent annual report on Form 10-K.

The forward-looking statements in this presentation are based on information available to the Company as of the date of this presentation and, while believed to be true when made, may ultimately prove to be incorrect. The Company may change its intention, belief or expectation, at any time and without notice, based upon any changes in such factors, in the Company's assumptions or otherwise. The Company undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the original date of this presentation, February 5, 2015, or to reflect the occurrence of unanticipated events.

Activision Blizzard Announces Record 2014 EPS

Non-GAAP¹: double-digit revenue growth, record digital revenues and 50%+ EPS growth

Results exceeded outlook:

- GAAP: \$4,408M revenues, record \$1.13 EPS
- Non-GAAP¹: \$4,813M revenues, record \$1.42 EPS
- Operating Cash Flow: \$1.3B; Free Cash Flow: \$1.2B

Strong performances in 2014, including two new titles – Destiny and Hearthstone:

- Call of Duty Advanced Warfare: #1 console game globally in 2014^{2,3}; franchise revenue >\$11B to date²
- Destiny: #1 new console IP launch in history²; #3 new release in 2014²; >16M registered users
- Skylanders: #1 kids console game globally^{2,3} with >240 million toys sold to date
- World of Warcraft: #1 subscription-based MMORPG in the world with over 10M subscribers at year end
- Hearthstone: Heroes of Warcraft: Game of the Year; surpassed 25 million registered players
- Diablo III: Reaper of Souls: #1 PC RPG of the year²; Ultimate Evil Edition successfully launched on consoles

Continued portfolio expansion in 2015 driven by new free-to-play* titles:

- Activision Publishing: [Call of Duty Online for China*](#), Call of Duty, Skylanders, Destiny, unannounced initiatives
- Blizzard Entertainment: [Hearthstone*](#), [Heroes of the Storm*](#), World of Warcraft, Diablo III, StarCraft II

Capital allocation:

- Increasing dividend by 15% Y/Y to a record \$0.23 per share, expected to be paid in May
- Announcing two-year stock repurchase authorization of \$750M
- Announcing debt repayment of \$250M, expected to be paid in February

¹ Non-GAAP information; reconciliation tables in the appendix of the earnings release dated February 5, 2015, which is available on www.activisionblizzard.com.

² NPD and GfK Chart-Track, including toys and accessories.

³ Activision Blizzard internal estimates.

Q4 and 2014 Results: Exceeded Outlook

Record Q4 and 2014 EPS

(Amounts in millions, except EPS and %)

	Q4 2014 Outlook ¹		Q4 2014 Actual		2014 Outlook ¹		2014 Actual	
	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²
Net Revenues	\$1,492	\$2,200	\$1,575	\$2,213	\$4,325	\$4,800	\$4,408	\$4,813
Operating Income			\$438	\$914			\$1,183	\$1,527
Operating Margin	21%	41%	28%	41%	25%	32%	27%	32%
Interest Expense, Net	\$51	\$51	\$50	\$50	\$203	\$203	\$202	\$201
Tax Rate	23%	25%	7%	19%	21%	24%	15%	20%
EPS	\$0.28	\$0.86	\$0.49	\$0.94	\$0.91	\$1.35	\$1.13	\$1.42
Weighted-avg shares outstanding:								
Diluted shares			729	729			726	726
Participating securities			12	12			15	15
Total share count for EPS ³	748	748	741	741	745	745	741	741

¹ Prior outlook provided November 4, 2014.

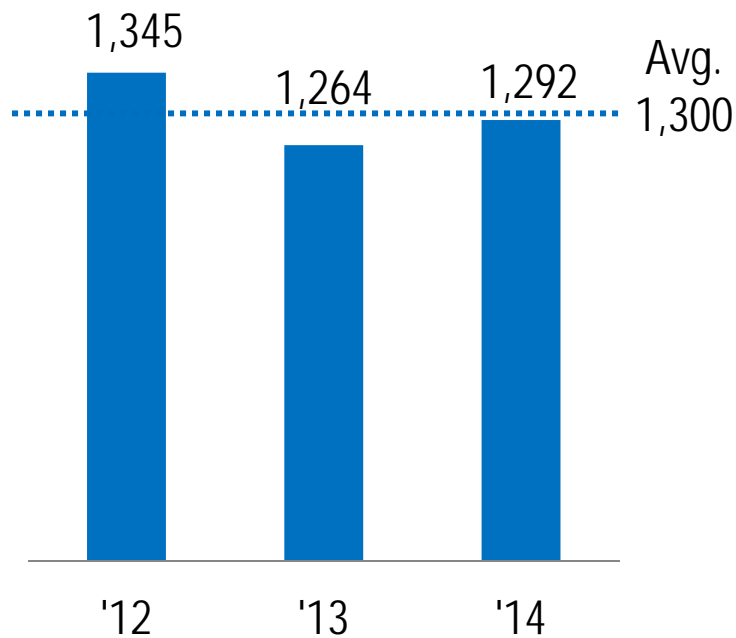
² Non-GAAP reconciliations are in the appendices of the earnings releases dated November 4, 2014 and February 5, 2015, available on www.activisionblizzard.com

³ Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. May not recalculate due to rounding.

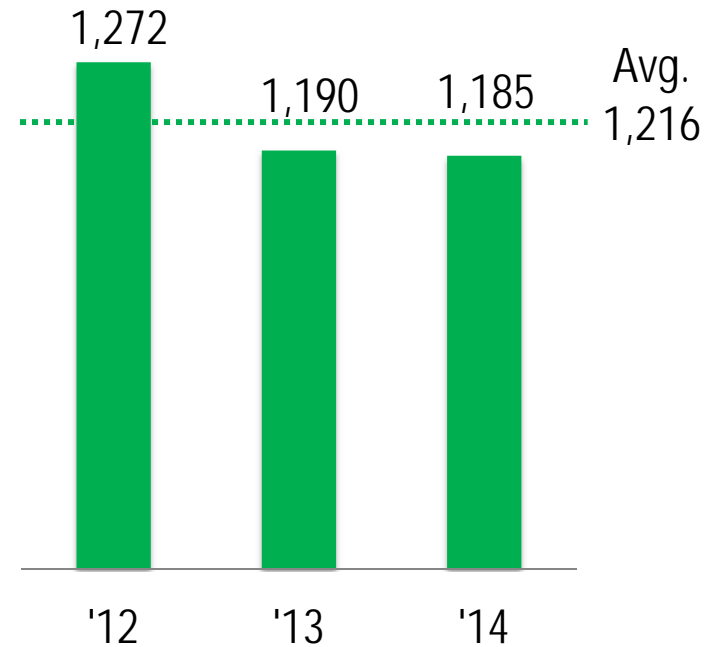
Operating Cash Flow and Free Cash Flow

Another year of consistent strong cash flow generation

Operating Cash Flow (\$M)



Free Cash Flow* (\$M)



* Non-GAAP information reconciliation tables in the appendix of the earnings release, which is available on www.activisionblizzard.com. Non-GAAP free cash flow represents operating cash flow minus capital expenditures.

Balance Sheet

Zero net debt as of 12/31/2014

	12/31/13	9/30/14	12/31/14
Cash and investments	\$4.45B	\$3.84B	\$4.87B ⁴
Cash and investments per share ¹	Approx. \$5.71	Approx. \$5.17	Approx. \$6.57
\$250M revolving facility	---	---	---
7-year secured bank loans	\$2.49B	\$2.12B	\$2.12B
8-year notes (5.625%)	\$1.50B	\$1.50B	\$1.50B
10-year notes (6.125%)	\$0.75B	\$0.75B	\$0.75B
Gross Debt	\$4.74B	\$4.37B	\$4.37B
Net Debt²	\$0.29B	\$0.53B	---
Net Cash³	---	---	\$0.50B
			\$1,606M
Adjusted TTM EBITDA ⁵			
Secured Debt / Adj. TTM EBITDA ⁵			1.32x
Gross Debt / Adj. TTM EBITDA ⁵			2.72x
Net Debt ¹ / Adj. TTM EBITDA ⁵			0x

¹ Based on weighted average shares outstanding of 780M, 742M, and 741M for the quarters ending December 31, 2013, September 30, 2014, and December 31, 2014, respectively.

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

³ Net cash is defined as cash and cash equivalents, short-term investments and long-term investments less gross debt.

⁴ Includes over \$1.2B of domestic cash and investments.

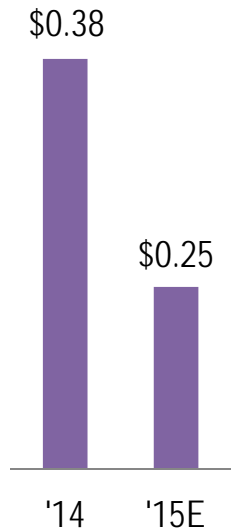
⁵ Adjusted TTM EBITDA is calculated as non-GAAP operating income plus depreciation for the trailing twelve months ended December 31, 2014.

Capital Allocation

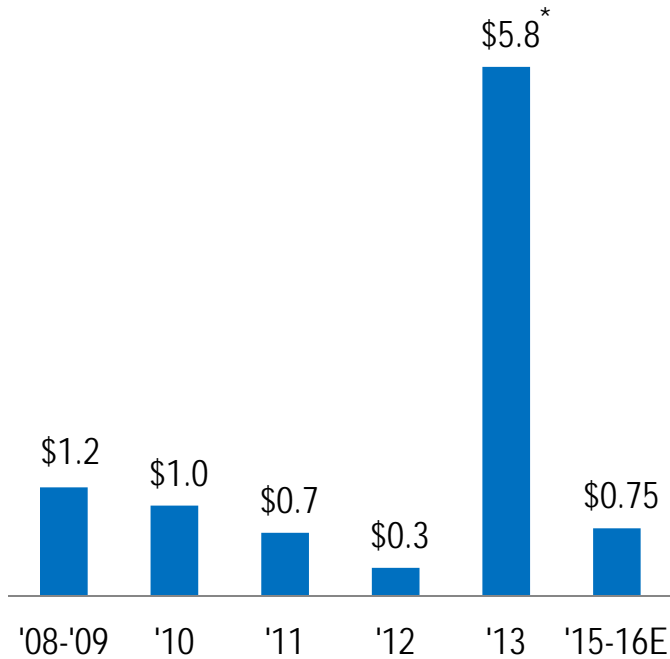
2008 – 2014: Approximately \$10B in repurchases and dividends

Board of Directors approved 3 new capital allocation matters

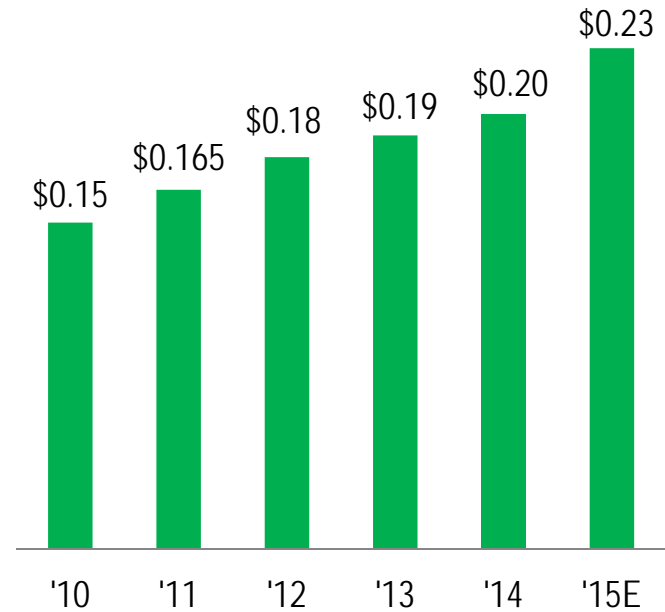
Debt Pay Down (\$B)



Share Repurchases (\$B)



Dividends Per Share (\$)



* Purchased 429M shares from Vivendi for \$13.60 / share.

Financial Outlook, as of February 5, 2015

Continued investment in content and infrastructure

	Q1 2015		2015	
	GAAP	Non-GAAP*	GAAP	Non-GAAP*
Net Revenues	\$1,140M	\$640M	\$4,140M	\$4,400M
COGS (Prod/Online)	28%	22%	24%	25%
Op Ex, incl. Royalties	38%	62%	51%	45%
Operating Margin**	34%	16%	25%	30%
Interest Expense	\$50M	\$50M	\$201M	\$201M
Tax Rate	20%	25%	21%	24%
EPS**	\$0.37	\$0.05	\$0.89	\$1.15
Fully Diluted Weighted Avg. Shares***	745M	745M	750M	750M

Currency Assumptions for 2015 Outlook:

- \$1.13 USD/Euro (vs. \$1.33 average for 2014)
- \$1.51 USD/GBP (vs. \$1.65 average for 2014)
- Revenue and EPS increase if the Euro or GBP strengthens vs. USD

Reconciliation of our CY14 actual EPS to CY15 outlook EPS:

	GAAP EPS	Non-GAAP* EPS
CY14 Actuals	\$1.13	\$1.42
Slate / Operations [^]	0.01	(\$0.05)
FX	(0.17)	(\$0.14)
Tax Rate & Share Count	(0.08)	(\$0.08)
CY15 Outlook	\$0.89	\$1.15

* Non-GAAP information; reconciliation tables in the appendix of the earnings release dated February 5, 2015, which is available on www.activisionblizzard.com.

** May not recalculate due to rounding.

*** Including fully diluted shares and participating securities based on average share price.

[^] For GAAP purposes; includes the net change in deferred net revenues and related cost of sales.

Strongest Pipeline in Development in ATVI History

Began 2014 with 5 franchises; Expected to end 2015 with 10

	<u>2013</u> Core Franchises	<u>2014</u>	<u>2015</u>	<u>2015+</u>
ACTIVISION	 	DESTINY 	 使命召唤 ONLINE	Unannounced Initiatives
BILZARD	  			

New Genres, Business Models, Platforms, Geographies

Activision Publishing

Leading performances from Call of Duty, Destiny, and Skylanders in 2014



- #1 console game globally in 2014^{1,2}
- #1 title on Next Gen LTD globally^{1,2}
- DLC season launched with Havoc on MSFT platforms, up year over year
- 2015 Call of Duty title from Treyarch



- #3 new release in North America and Europe in 2014¹
- Largest new video game franchise launch in history¹
- >16M registered users; active players average >3 hours/day
- House of Wolves expansion and major content release coming in 2015



- \$3B+ in life to date retail sales^{1,2}
- #1 Kids' console game globally in 2014^{1,2}
- Outsold all action figure lines in 2014^{1,2}
- Innovative new game coming in 2015



- Free-to-play PC game for China; published by Tencent
- Entered open beta on January 11, 2015
- Baidu Index indicates brand momentum on par with League of Legends

Unannounced Initiatives

- More to come in the months ahead

¹ NPD and GfK Chart-Track, including toys and accessories. ² Activision Blizzard internal estimates.

Blizzard Entertainment Highlights

Best-ever annual revenues in 2014; ongoing strength in pipeline



- Fifth expansion, Warlords of Draenor, launched November 13, 2014
- Expansion helped push global player base to over 10 million subscribers
- Goblins vs. Gnomes expansion and Android tablet version launched in December
- December was biggest month for MAU; Q4 highest revenue quarter to-date
- Surpassed 25 million registered players
- New free-to-play online team brawler for Windows and Mac
- Entered closed beta and began Founder's Pack sales in January
- Over 9 million players signed up for closed beta
- Final expansion to StarCraft II, Legacy of the Void, announced at BlizzCon 2014
- Standalone product; previous games not required
- Expected to enter beta in 2015
- Unveiled at BlizzCon 2014; brand-new Blizzard IP
- 6 vs. 6 online multiplayer team-based shooter
- Expected to enter beta in 2015

Key Takeaways

Record 2014 non-GAAP* EPS; Expanding portfolio for growth

1. 2014 was an excellent year

- Non-GAAP* double-digit revenue growth, record digital revenues
- Non-GAAP* EPS up >50% Y/Y
- \$1.3B in operating cash flow

2. Investments in new franchises are paying off

- Profitably expanded portfolio with Destiny and Hearthstone in 2014
- Expect to end 2015 with at least 10 AAA franchises in our portfolio

3. Positioned for long-term growth and margin expansion

- Investing in new areas of rapid growth: business models, platforms and geographies
- Releasing 2 new free-to-play titles: Call of Duty Online for China and Blizzard's Heroes of the Storm
- Large and growing diversified global pipeline targeting high-margin digital opportunities

* Non-GAAP information/reconciliation tables in the appendix of the earnings release, which is available on www.activisionblizzard.com. Non-GAAP free cash flow represents operating cash flow minus capital expenditures.

Use of Non-GAAP Measures

As a supplement to our financial measures presented in accordance with 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 revenues, 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. 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:

- the change in deferred net revenue and related cost of sales with respect to certain of the company's online-enabled games;
- expenses related to stock-based compensation;
- fees and other expenses (including legal fees, costs, expenses and accruals) related to the acquisition of 429 million shares of our common stock on October 11, 2013 from Vivendi, pursuant to the stock purchase agreement dated July 25, 2013 and the \$4.75 billion debt financings related thereto; and
- the amortization of intangibles from purchase price accounting; and
- the income tax adjustments associated with any of the above items.

In the future, Activision Blizzard may also consider whether other significant non-recurring 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 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 revenues, 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.

In addition to the reasons stated above, which are generally applicable to each of the items Activision Blizzard excludes from its non-GAAP financial measures, there are additional specific reasons why the company believes it is appropriate to exclude the change in deferred net revenue and related cost of sales with respect to certain of the company's online-enabled games.

Since Activision Blizzard has determined that some of our games' online functionality represents an essential component of gameplay and, as a result, a more-than-inconsequential separate deliverable, we recognize revenue attributed to these game titles over their estimated service periods, which may range from five months to a maximum of less than a year. The related cost of sales is deferred and recognized as the related revenues are recognized. Internally, management excludes the impact of this change in deferred net revenue and related cost of sales in its non-GAAP financial measures when evaluating the company's operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of its management team.

Management believes this is appropriate because doing so enables an analysis of performance based on the timing of actual transactions with our customers, which is consistent with the way the company is measured by investment analysts and industry data sources. In addition, excluding the change in deferred net revenue and the related cost of sales provides a much more timely indication of trends in our operating results.

For such reconciliation of GAAP to non-GAAP numbers and a description of what is excluded from each non-GAAP financial measure, and for more detailed information concerning the Company's financial results for the three months ended December 31, 2014, please refer to the Company's earnings release dated February 5, 2015, which is available on our website, www.activisionblizzard.com.

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Fourth Quarter 2014 Results: Q&A

February 5, 2015