



First Quarter 2015 Results

May 6, 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; (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: sales levels of Activision Blizzard’s titles; increasing 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 hardware platforms; the amount of our debt and the limitations imposed by the covenants in the agreements governing our debt; adoption rate and availability of new hardware (including peripherals) and related software, particularly during the console transitions; 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; changing business models, including digital delivery of content and the increased prevalence of free-to-play games; product delays or defects; competition including from used games and 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 game market; 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 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, May 6, 2015, or to reflect the occurrence of unanticipated events.

Large Engaged Communities Drive Our Performance

Raising 2015 revenue and EPS outlook

Recognized by Fortune as one of the 100 Best Companies To Work For® in 2015

Engagement Drives Our Results:

- Over last twelve months, 150M active users around the world played our games for over 12B hours²
- Over 1B hours spent watching our games on channels such as YouTube, Twitch, & ESPN²
- Our community has grown by more than 25% year over year²

Better-than-expected Q1 financial results:

- GAAP: \$1,278M revenues, \$0.53 EPS
- Non-GAAP¹: \$703M revenues, \$0.16 EPS
- Record Q1 non-GAAP revenues of over \$500M from digital channels; an all-time record percentage of total revenues
- Operating Cash Flow: \$209M; Free Cash Flow: \$188M

Raising Outlook:

- Increased 2015 non-GAAP revenue outlook to \$4.425B and EPS outlook to \$1.20

¹ Non-GAAP information; reconciliation tables in the appendix of the earnings release dated May 6, 2015, which is available on www.activisionblizzard.com.

² Activision Blizzard internal estimates.

Better-than-Expected Q1 2015 Results

Q1 non-GAAP² revenues: record \$538M from digital channels

	Q1 2014 Actual		Prior Q1 2015 Outlook ¹		Q1 2015 Actual	
	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²	GAAP	Non-GAAP ²
Net Revenues	\$1,111M	\$772M	\$1,140M	\$640M	\$1,278M	\$703M
Operating Income	\$427M	\$240M			\$542M	\$204M
Operating Margin	38%	31%	34%	16%	42%	29%
Interest Expense, Net	\$51M	\$51M	\$50M	\$50M	\$50M	\$50M
Tax Rate	22%	25%	20%	25%	20%	24%
EPS	\$0.40	\$0.19	\$0.37	\$0.05	\$0.53	\$0.16
Weighted-avg shares outstanding (millions):						
Diluted shares	720	720			731	731
Participating securities	17	17			10	10
Total share count for EPS ³	737	737	745	745	741	741

¹ Prior outlook provided February 5, 2015.

² Non-GAAP reconciliations are in the appendices of the earnings releases dated February 5, 2015 and May 6, 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.

Balance Sheet

Paid down \$250M of term loan in Q1; Expect to pay \$0.23/share dividend on May 13th

	3/31/14	12/31/14	3/31/15
Cash and investments	\$4.30B	\$4.87B	\$4.48B⁴
Cash and investments per share ¹	\$5.83	\$6.57	\$6.04
\$250M revolving facility	---	---	---
7-year term loan	\$2.12B	\$2.12B	\$1.87B
8-year notes due 2021 (5.625%)	\$1.50B	\$1.50B	\$1.50B
10-year notes due 2023 (6.125%)	\$0.75B	\$0.75B	\$0.75B
Gross Debt	\$4.37B	\$4.37B	\$4.12B
Net Debt²	\$0.07B	---	---
Net Cash³	---	\$0.50B	\$0.36B
Adjusted TTM EBITDA⁵	\$1,428M	\$1,606M	\$1,570M
Secured Debt / Adj. TTM EBITDA ⁵	1.5x	1.3x	1.2x
Gross Debt / Adj. TTM EBITDA ⁵	3.1x	2.7x	2.6x
Net Debt ¹ / Adj. TTM EBITDA ⁵	0.05x	0x	0x

¹ Based on weighted average shares outstanding of 737M, 741M, and 741M for the quarters ending March 31, 2014, December 31, 2014, and March 31, 2015, 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 \$1.0B of domestic cash and investments.

⁵ Adjusted TTM EBITDA is calculated as non-GAAP operating income plus depreciation for the trailing twelve months of respective periods end.

Financial Outlook as of May 6, 2015

Raising 2015 non-GAAP* revenues by \$25M and EPS by \$0.05

	Q2 2015		2015	
	GAAP	Non-GAAP*	GAAP	Non-GAAP*
Net Revenues	\$930M	\$650M	\$4,250M	\$4,425M
COGS (Prod/Online)	20%	19%	23%	24%
Op Ex, incl. Royalties	52%	63%	50%	45%
Operating Margin**	28%	18%	27%	31%
Interest Expense	\$50M	\$50M	\$202M	\$202M
Tax Rate	25%	26%	22%	24%
EPS**	\$0.21	\$0.07	\$0.98	\$1.20
Fully Diluted Weighted Avg. Shares***	745M	745M	750M	750M

Currency Assumptions for 2015 Outlook:

- \$1.11 USD/Euro (vs. \$1.13 prior outlook; \$1.33 avg. for 2014)
- \$1.54 USD/GBP (vs. \$1.51 prior outlook; \$1.65 avg. for 2014)
- Note: Revenue and EPS increase if the Euro or GBP strengthen vs. USD

Comparison of CY14 actual EPS to CY15 outlook EPS:

	Non-GAAP* EPS
CY14 Actuals	\$1.42
Slate / Operations	\$0.01
FX	(\$0.15)
Tax Rate & Share Count	(\$0.08)
CY15 Outlook	\$1.20

* Non-GAAP information; reconciliation tables in the appendix of the earnings release dated May 6, 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.

Strongest Pipeline in Development in ATVI History

Destiny and Hearthstone now have over 50M players and nearly \$1B non-GAAP revenues, LTD

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015+</u>
	Core Franchises	New Genres, Business Models, Platforms, Geographies		
ACTIVISION®	 			
BILZARD®	  			

Activision Publishing

Revenues up 28% Y/Y, driven by largest Q1 online player communities in our history

CALL OF DUTY

- Advanced Warfare remains #1 on next-gen platforms, LTD
- Revenues up double digit % Y/Y, driven by sell-through and online ARPU growth
- Black Ops 3, Treyarch's first 3-year development cycle title, launching 11/6/15

CALL OF DUTY 使命召唤 ONLINE

- Free-to-play PC first person action game for China; published by Tencent
- Entered open beta on January 11, 2015

D E S T I N Y



- Millions of active players still average about 3 hours per day
- 299 Awards with 31 wins for Game of the Year
- House of Wolves expansion coming May 19th
- Major release with biggest content addition to date coming this fall

SKYLANDERS

- #1 console franchise and title globally in Q1¹
- ARPU is up Y/Y, driven by additional sell-through on toys and traps
- Innovative new game coming this year

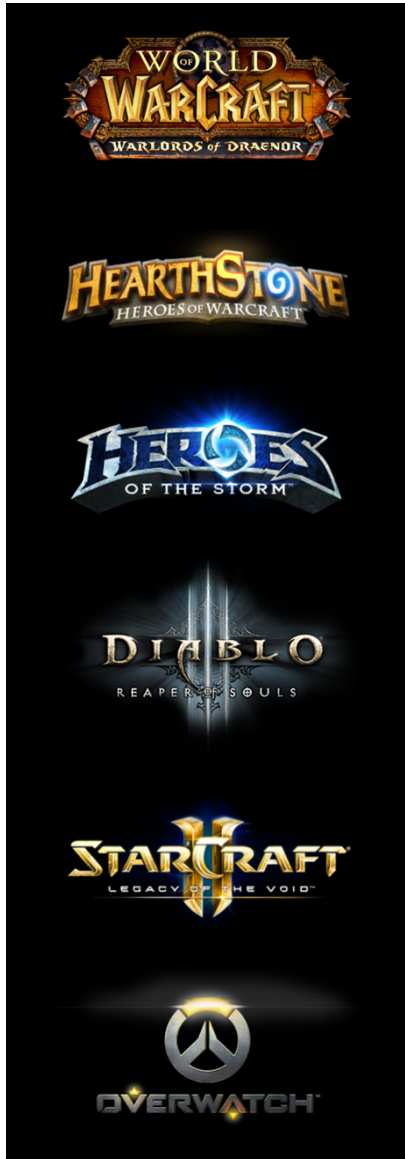
GUITAR HERO LIVE

- Significant innovation with new guitar and 2 modes: GH Live and GHTV
- Available this fall on consoles, smartphones, and tablets
- Over 40 million gamers have played in the past

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

Blizzard Entertainment Highlights

Battle.net with largest Q1 online player community in Blizzard's history



- #1 subscription-based MMORPG; ended the quarter with 7.1 million subscribers but with relatively steady subscriber revenue
- New WoW Token system – launched April 6th
- Engagement and revenues remained steady, driven by Goblins vs Gnomes
- iPhone and Android smartphone versions (released April 14th) drove player count over the 30 million milestone
- Over 11 million players signed up for closed beta
- "Heroes of the Dorm" collegiate eSports tournament telecasted on ESPN2, a first for the network
- Open beta testing beginning May 19th; officially launching on June 2nd
- #1 PC role-playing franchise in Q1¹
- Began closed beta testing Diablo III in China on April 23rd with NetEase
- Approximately 3 million players participated in the closed beta with 1 million units sold so far
- Final expansion to StarCraft II, Legacy of the Void, showcased at BlizzCon 2014
- Standalone product; previous games not required
- Closed beta test kicked off on March 31st; launch TBD
- Unveiled at BlizzCon 2014; brand-new Blizzard IP
- 6 vs. 6 online multiplayer team-based shooter
- Expected to enter beta this fall

Key Takeaways

We are well positioned for long-term global growth

1. 2015 off to a great start

- Over-delivered Q1 and raised full year guidance
- Now projecting year-over-year EPS growth from operations
- Communities have grown more than 25% year-over-year

2. Successfully transitioning business to year-round engagement model

- Players can engage and invest in their experiences not just at launch, but throughout the year
- Creating value for players and shareholders

3. Strategic investments in new franchises, platforms, and geographies are paying off and setting the stage for growth ahead

- Expanding our franchise portfolio from 5 to over 10, with 4 new franchises already in market
- Destiny + Hearthstone: Heroes of Warcraft → 50M+ players & nearly \$1B in non-GAAP revenues, LTD
- Increasing focus on smartphone and tablet with Hearthstone: Heroes of Warcraft and Guitar Hero
- 6 franchises in China, up from 2 at the start of 2014

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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First Quarter 2015 Results: Q&A

May 6, 2015