



New Revenue Standard (ASC 606) – Investor FAQ

February 8, 2018

What is ASC 606?

ASC 606 is a new accounting standard for GAAP revenue recognition that was issued by the Financial Accounting Standards Board. Activision Blizzard will adopt ASC 606 in Q1 2018.

How does this impact Activision Blizzard?

While ASC 606 will affect our GAAP results, it is not expected to materially impact our annual segment results or cash flows, or our financial performance as reviewed for internal management purposes. We do expect there will be some quarterly movements within the year.

The most significant impact from ASC 606 adoption will be related to the upfront revenue recognition of a relatively small (~20%) portion of the Call of Duty franchise full game sales. On a full year basis, we do not expect a significant impact to our U.S. GAAP results, however, we expect there may be material impacts to our quarterly U.S. GAAP results due to the timing of when revenues will be recognized within a year. For example, we expect revenues in the first half of the year to be lower as we will have less Call of Duty full game revenues amortizing into 2018 – under ASC 606, a larger portion would have been recognized in 2017. Conversely, in the second half of the year, we expect revenues to be higher as we will have less Call of Duty full game revenues being deferred – under ASC 606, a portion is recognized upfront.

Importantly, revenue recognition for most of our other franchise's full game sales as well as all in-game sales and subscriptions will not be impacted, as they are either fully online or offline.

We also expect ASC 606 to impact other parts of our business, primarily around the accounting for certain of our software licensing arrangements under ASC 606. While the impacts to our U.S. GAAP results may differ on a contract-by-contract basis, we generally expect earlier revenue recognition for these arrangements under the new revenue standard. However, the impacts of these will be less meaningful.

When will Activision Blizzard incorporate ASC 606 into its financial statements?

We will begin reporting revenue under the new revenue standard in Q1 2018 (for the quarter ending March 31, 2018).

Our Outlook for 2018, as reflected in our February 8, 2018 earnings release, has been prepared in accordance with the new revenue standard.

How will Activision Blizzard incorporate ASC 606 into its financial statements?

We have chosen to adopt ASC 606 using the modified retrospective approach, which means that we will not restate our historical financial statements. For comparability, we will also report pro-forma financial results during FY18 under ASC 605, the current revenue standard, which will provide the ability to compare FY18 financial results to FY17 financial results.

Where can I find additional information about Activision Blizzard's adoption of ASC 606?

Our Form 10-K for December 31, 2017, which we expect to file later in February, will contain additional information regarding the adoption of ASC 606.

Cautionary Note Regarding Forward-looking Statements: 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; (3) statements of future financial or operating performance; and (4) statements of assumptions underlying such statements. The company generally uses words such as “outlook,” “will,” “would,” “to be,” “may,” “expect,” 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.

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.

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.