



Third Quarter 2016 Results

November 3, 2016

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 releases of products and services; (3) statements of future financial or operating performance; (4) statements relating to the acquisition of King and expected impact of that transaction, including without limitation, the expected impact on Activision Blizzard's future financial results; and (5) 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: uncertainties as to whether and when Activision Blizzard will be able to realize the anticipated financial benefits from the acquisition of King Digital Entertainment; the integration of King Digital Entertainment being more difficult, time-consuming, or costly than expected; the diversion of management time and attention to issues relating to the operations and integration of King Digital Entertainment and Major League Gaming; 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 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; 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 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 entertainment market; the outcome of current or future tax disputes; 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, 2015.

The forward-looking statements contained herein are based upon information available to us as of the date of this Quarterly Report on Form 10-Q 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, we reported our third quarter of 2016 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 future refinancing of long-term debt, including penalties and the write off of unamortized discount and deferred financing costs; and
- the income tax adjustments associated with any of the above items. Tax impact on Non-GAAP (redefined) 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 2016 revenues and EPS outlook based on strong business momentum

Q3 financial results:

- GAAP: record Q3 revenues of \$1,568M (up 58% Y/Y), OI of \$294M (up 50% Y/Y), EPS of \$0.26 (up 53% Y/Y)
- Non-GAAP¹ (redefined): record Q3 EPS of \$0.49 (up 145% Y/Y)
- Record Q3 segment revenues & OI for combined Activision + Blizzard segments (up respectively 15% & 78% Y/Y)
- Record YTD segment revenues & OI for combined Activision + Blizzard segments (up respectively 22% & 67% Y/Y)
- Record Q3 operating cash flow of \$456M
- Record Q3 free cash flow of \$428M
- Record quarterly GAAP digital revenues of over \$1.3B

Raising full year guidance based on strong momentum:

- Increasing 2016 GAAP outlook to revenues of \$6.45B, incl. net deferrals of \$75M, and GAAP EPS of \$0.98
- Increasing 2016 non-GAAP¹ (redefined) outlook to EPS of \$1.92, including net deferrals of \$0.10

Remain focused on key priorities and opportunities:

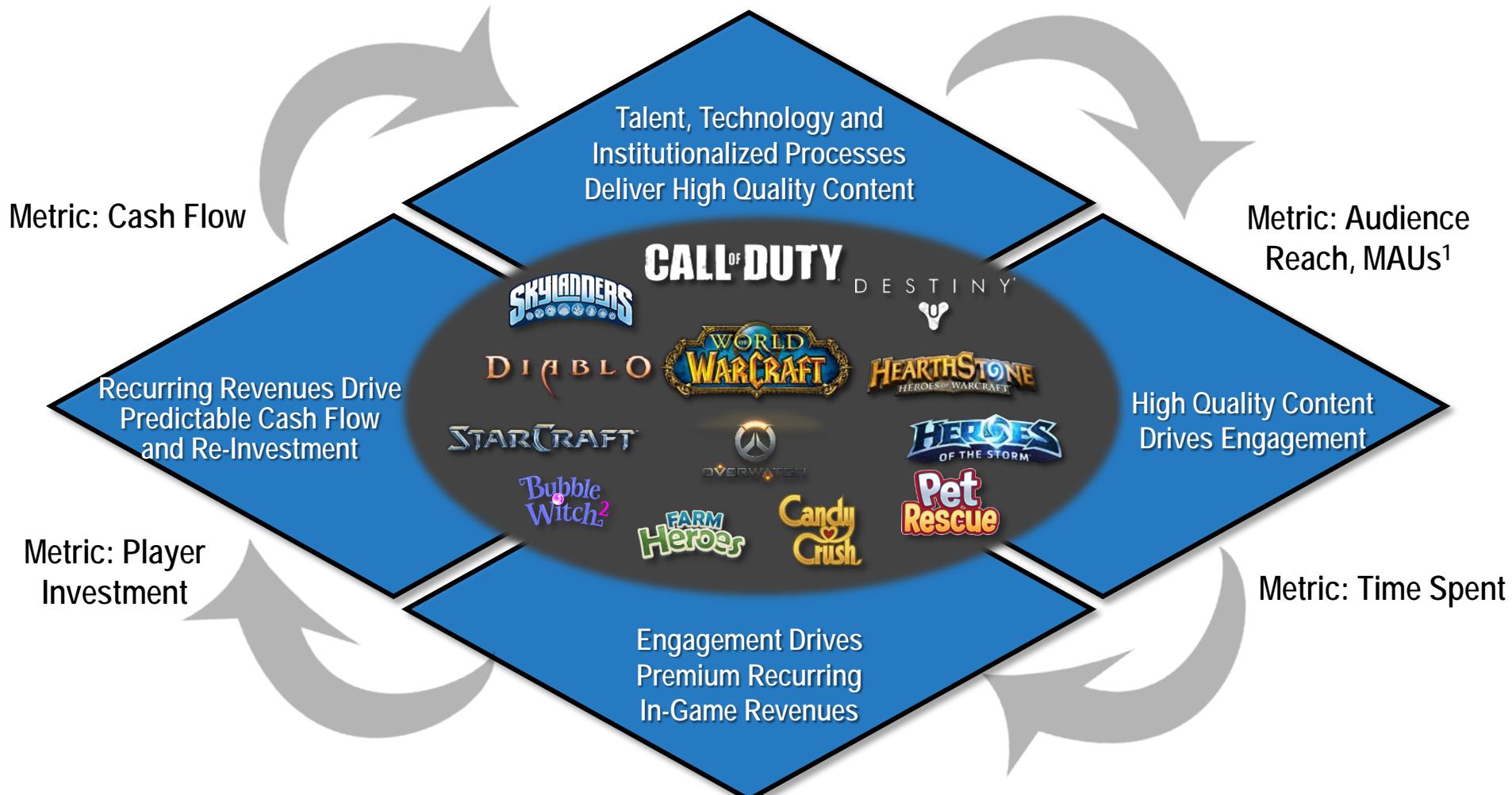
- Building enduring franchises that can be expanded and nurtured year-round
- New long-term business opportunities including esports, advertising and consumer products

¹ Non-GAAP information: reconciliation tables in the appendix of the earnings release dated November 3, 2016, 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.

Audience Reach

Nearly 500M MAUs¹ across the company

	Activision	Blizzard	King
MAUs ¹	46M, Q3 record	42M, all-time record	394M

Details:



- *World of Warcraft®: Legion™* sold-through 3.3M copies on day one, matching all-time record achieved by previous expansions, making it one of the fastest-selling PC games ever
- *World of Warcraft* MAUs¹ grew almost 30% Q/Q



- Blizzard's fastest game ever to reach 20M players – about four months since launch
- Strong global appeal with a roughly even player base split between east and west
- #1 position in Korean Internet Game Rooms from launch all the way through Q3²



- Record all-time franchise MAUs¹, which grew a double-digit percentage Y/Y



- *Call of Duty®: Black Ops III* continues to be the top selling current-gen game LTD³
- The *Call of Duty* franchise reached record Q3 MAUs¹



- The *Rise of Iron* expansion launched on September 20, which drove an increase in MAUs¹ Q/Q
- Sequel expected to launch next year

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. ² Gametrics.com. ³ NPD & GfK Chart-Track.

Deep Engagement

Over 10B hours spent playing our games in Q3, not including time spent outside of games

Details:



- Blizzard's compelling content across franchises led to all-time engagement records virtually across the board including weekly and daily active users, unique users and play time



- Millions of players have used the companion app and are logging in an average of 4-5x a day



- Weekly esports report and premium content recorded about 50M video views on Facebook, up 67% Q/Q and reached a record 11M users in a single day¹
- MLG Vegas will take place Dec 16-18, and will feature the first competition of the *Call of Duty World League 2017* and an *Overwatch® Invitational*



- Call of Duty XP, Activision's largest fan event ever included the culmination of the *Call of Duty World League Championship*
- *Call of Duty World League* 2016 season recorded 121M views



- 10th BlizzCon® starting on November 4, to include numerous esports events including the *Overwatch World Cup*



- *Skylanders®: Imaginators* launched on October 16 and for the first time in toys-to-life history, fans are able to create their very own digital Skylanders
- *Skylanders™ Academy*, a new TV series celebrating the beloved kids franchise, premiered on Netflix on October 28



- King's time spent per MAU² was up Y/Y
- Announced *Candy Crush™*, a new live-action TV show, to be distributed domestically by CBS and internationally by Lionsgate

¹ Per MLGPRO Facebook Insights Portal. ² 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.

Providing Opportunities for More Player Investment

Quarterly record of nearly \$1B GAAP digital in-game content sales

	ATVI	Y/Y (incl. King)	Y/Y (ex. King)
Q3 GAAP digital revenues:	>\$1.3B	+114%	+43%

Details:



- *World of Warcraft: Legion* drove record participation in value added services



- Summer Games, *Overwatch*'s first seasonal event, drove record game engagement and participation in in-game customization items
- *Overwatch*'s Halloween Terror event drove even higher engagement and participation



- The *One Night in Karazhan™* Adventure outperformed its predecessor



- Overall mobile gross bookings¹ and average revenue per paying user increased Y/Y
- *Candy Crush™* franchise gross bookings¹ grew Y/Y
- King had 3 of the top 20 grossing games in the Apple App Store and Google Play Store in the U.S. for the 11th quarter in a row²



- *Call of Duty* continues to deliver record performance
- The number of in-game content purchasers more than doubled YTD and along with robust participation in Season Pass and a-la-carte map packs drove an increase in ARPU as well
- *Infinite Warfare™* innovation paired with *Modern Warfare® Remastered* bonus content driving a far higher percentage of pre-orders on higher value premium SKUs than ever before

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 third quarter 2016.

Third Quarter and YTD 2016 Segment Results

Record Q3 and YTD financials from Activision and Blizzard segments combined

			
Q3 Net Revenues:	\$377M	\$727M	\$459M
Q3 Operating Income:	\$123M 33%	\$321M 44%	\$138M 30%
YTD Net Revenues:	\$1,069M	\$1,760M	\$1,149M
YTD Operating Income:	\$309M 29%	\$740M 42%	\$381M 33%
Key Highlights:	<ul style="list-style-type: none">Activision segment record Q3 operating income on strength in <i>Call of Duty</i> follow-on content and the successful launch of <i>Destiny: Rise of Iron</i>Activision also achieved record year-to-date segment operating income	<ul style="list-style-type: none">Record Q3 segment revenues nearly doubled Y/Y and record operating income more than doubled Y/YBlizzard achieved record year-to-date segment revenues and operating income	<ul style="list-style-type: none">Revenues slightly down Q/Q and Y/Y<i>Candy Crush</i> franchise increased gross bookings¹ Y/YMobile gross bookings¹ & average revenue per paying user increased Y/Y

Record Q3 and YTD Segment Revenues and Operating Income for Combined Activision and Blizzard Segments

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.

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, stock-based compensation expense, amortization of intangible assets as a result of purchase price accounting, and fees and other expenses related to financings and acquisitions. Reconciliation of our segment results to our consolidated results is included in the appendix of the earnings release dated November 3, 2016, which is available on www.activisionblizzard.com.

Record Third Quarter 2016 Results

Record Q3 Revenues, Digital Revenues, EPS, and Cash Flows

If you would like to calculate Non-GAAP metrics as previously defined, in order to do year-over-year comparisons, 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.

	Q3 2015 Actual			Prior Q3 2016 Outlook ²			Q3 2016 Actual		
	GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals	GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals	GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals
Net Revenues	\$990M	\$990M	\$50M	\$1,490M	\$1,490M	\$45M	\$1,568M	\$1,568M	\$62M
Digital Revenues	\$629M	\$629M	\$68M	86%	86%		\$1,344M	1,344M	\$158M
Digital Revenues %	64%	64%					\$294M	\$542M	\$33M
Operating Income	\$196M	\$225M	\$26M	13%	30%		19%	35%	
Operating Margin	20%	23%		\$138M	\$53M		\$63M	\$52M	
Interest Expense, Net ⁶	\$51M	\$51M		18%	24%		14%	24%	
Tax Rate	13%	16%		\$0.06	\$0.39	\$0.01	\$0.26	\$0.49	\$0.03
EPS	\$0.17	\$0.20	\$0.01	760M	760M		758M	758M	
Total share count for EPS ³	747M	747M							
Operating Cash Flow ⁴	(\$171M)			\$456M			\$428M		
Free Cash Flow ^{4,5}	(\$217M)								

¹ Non-GAAP reconciliations are in the appendices of the earnings releases dated August 4, 2016 and November 3, 2016, which are available on www.activisionblizzard.com. ² Prior outlook provided August 4, 2016. 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 (which includes payment for acquisition of intangible assets). ⁶ Includes a \$10M loss on extinguishment of debt recognized in Q3 2016 GAAP actual results upon refinancing of our term loan

Better-than-Expected YTD 2016 Results

Record YTD GAAP revenues up 39% Y/Y & non-GAAP (redefined) EPS up 45% Y/Y

If you would like to calculate Non-GAAP metrics as previously defined, in order to do year-over-year comparisons, 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		
Digital Revenues %		
Operating Income		
Operating Margin		
Interest Expense, Net ⁵		
Tax Rate		
EPS		
Total share count for EPS ²		

YTD 2015 Actual		
GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals
\$3,312M	\$3,312M	(\$809M)
\$1,779M	\$1,779M	\$67M
54%	54%	
\$1,070M	\$1,144M	(\$517M)
32%	35%	
\$151M	\$151M	
20%	21%	
\$0.98	\$1.05	(\$0.56)
745M	745M	

YTD 2016 Actual		
GAAP	Non-GAAP ¹ (redefined)	Impact of GAAP deferrals
\$4,594M	\$4,594M	(\$447M)
\$3,412M	\$3,412M	\$288M
74%	74%	
\$987M	\$1,643M	(\$228M)
21%	36%	
\$181M	\$167M	
12%	22%	
\$0.94	\$1.52	(\$0.23)
756M	756M	

Operating Cash Flow³

\$196M
\$101M

\$1.3B, up over 560% Y/Y
\$1.2B, up over 1,000% Y/Y

¹ Non-GAAP reconciliations are in the appendices of the earnings release dated November 3, 2016, which are available on www.activisionblizzard.com. ² Fully diluted weighted average shares outstanding includes options and participating securities based on average share price. ³ 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. ⁴ Free Cash Flow represents Operating Cash Flow minus Capital Expenditure (which includes payment for acquisition of intangible assets). ⁵ Includes a \$10M loss on extinguishment of debt recognized in Q3 2016 GAAP actual results upon refinancing of our term loan

Balance Sheet

Q3 record adjusted EBITDA of \$574M, up 131% Y/Y

	9/30/15	6/30/16	9/30/16 (Adjusted ¹)
Cash and investments	\$4.53B	\$2.30B	\$2.50B²
Term loan	\$1.87B	\$0.32B	---
Term loan A	---	\$2.53B	---
New term loan A	---	---	\$2.69B
New 2021 Notes	---	---	\$0.65B
2021 Notes	\$1.50B	\$1.50B	--- ³
2023 Notes	\$0.75B	\$0.75B	\$0.75B
2026 Notes	---	---	\$0.85B
Gross Debt	\$4.12B	\$5.10B	\$4.94B
Net Debt⁴	---	\$2.80B	\$2.44B
As Reported			
Adjusted TTM EBITDA⁵	\$1,669M	\$1,714M	Adjusted¹
Secured Debt / Adj. TTM EBITDA ⁵	1.1x	1.7x	Including King⁶
Gross Debt / Adj. TTM EBITDA ⁵	2.5x	3.0x	\$2,039M
Net Debt ³ / Adj. TTM EBITDA ⁵	0x	1.6x	\$2,320M⁶

¹ Adjusts the September 30, 2016 balances to remove the temporary increase in cash and debt due to issuance of new 5 & 10 year notes with the intent of calling and refinancing existing 2021 notes. On October 19, we redeemed those legacy notes inclusive of call premiums, which reduced our cash and debt positions by ~\$1.6B and \$1.5B, respectively.

² Reduced the September 30, 2016 cash and investments position of \$4.1B by ~\$1.6B for the October repayment of the 2021 notes. ³ Reduced the September 30, 2016 existing 2021 Notes balance of \$1.5B for the October repayment to extinguish the liability.

⁴ Net debt is defined as gross debt less cash and cash equivalents, short-term investments and long-term investments.

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

⁶ Based on King's trailing twelve months adjusted EBITDA including \$188 million for Q4CY15 (as reported by King) and 2016 pre-transaction close King adjusted EBITDA of \$93 million.

Financial Outlook as of November 3, 2016

Raising 2016 GAAP and non-GAAP¹ (redefined) revenues and EPS outlook

	Q4 2016		2016		Impact of GAAP Deferrals ²	
	GAAP	Non-GAAP ¹ (redefined)	GAAP	Non-GAAP ¹ (redefined)	Q4 2016	2016
Net Revenues	\$1,856M	\$1,856M	\$6,450M	\$6,450M	\$522M	\$75M
COGS (Prod/Game Ops)	27%	27%	24%	24%		
Op Ex, incl. Royalties	61%	47%	57%	43%		
Operating Margin ³	12%	26%	19%	33%		
Interest Expense from Debt ⁴	\$129M	\$45M	\$313M	\$213M		
Tax Rate	NM	30%	17%	24%		
EPS	\$0.05	\$0.40	\$0.98	\$1.92	\$0.34	\$0.10
Fully Diluted Weighted Avg. Shares ⁵	765M	765M	762M	762M		

Currency Assumptions for Current 2016 Outlook:

- \$1.09 USD/Euro (vs. \$1.11 avg. for 2015 & \$1.33 avg. for 2014)
- \$1.22 USD/GBP (vs. \$1.53 avg. for 2015 & \$1.65 avg. for 2014)
- 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, in order to do year-over-year comparisons, 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 November 3, 2016, 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 For Q4, GAAP interest expense includes a \$82M GAAP loss recognized in October 2016 upon extinguishment of \$1.5B of our senior notes, and \$2M amortization of deferred financing costs. For FY 2016, GAAP interest expense also includes a \$10M loss recognized in Q3 upon refinancing of our term loan for a total GAAP loss of \$92M, and \$8M of amortization of deferred financing costs. ⁵ Including fully diluted shares and participating securities based on average share price.

A Portfolio of Compelling Owned Franchises

Seven \$1B+ franchises across the portfolio¹



4 of top 10 titles on current-gen consoles, life-to-date²



Record Q3 & YTD segment revenues and operating income, with largest online community in its history



3 of top 20 grossing games on U.S. app stores for 11 consecutive quarters³





Q&A

November 3, 2016