



Activision (ATVI) 2017 Q4 Earnings Summary

February 2018

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# Activision Blizzard Key Takeaways

## The Early Success Of The Overwatch League Highlights The Mainstream Potential Of Esports

### OVERWATCH

- Building this league for the long term, but they expect the Overwatch League to be profitable in 2018
  - **Increased global demand for expansion teams, which they expect to start selling later this year at higher prices**
- **Focusing on the continued growth of the audience through improvements to the broadcast and the live viewer experience**
  - **Audience growth is the key to seeing an impact to bottom line results and to drive popularity in the game**
  - **Looking forward to launching additional initiatives to tie the viewing experience better with the play experience**

### KING

- **King was the biggest contributor to its record year of in-game revenue, with 2 of the top 10 grossing mobile games in the U.S.**
  - For the first time, King held both the #1 and #2 spots at the same time with Candy Crush Saga and Candy Crush Soda Saga
  - **Finished Q4 with 290 million Monthly Active Users and to grow time spent per user to a record of 37 minutes**
- Expect to have 2 or more new releases during each year, in addition to the continuous updates inside their existing live games
  - **Releasing compelling features into the live games, and using ROI-positive marketing to attract and engage new players**

### MOBILE

- Continue to make progress on company-wide mobile pipeline plan
  - Plan to see some results later this year, but the bulk will drive growth in 2019 and beyond
- **Opportunity to take very successful PC and console franchises and extend them into mobile**
  - Technology has advanced to the point where mobile platforms now that can fulfill the requirements of its core IP
  - **Really important opportunity in Asia, where they already have some of the most successful non-mobile franchises**

### ADVERTISING

- **Will begin to ramp ads business in 2018 and expect a minor profit contribution in the 2<sup>nd</sup> half of the year**
  - Had success in 2017 with a dozen of global brands buying advertising across a number of territories in 5 different games
- Investing in teams on several dimensions, including ad product, engineering, sales and analytics
  - **Want to develop ad experiences that are well-integrated into the gameplay and also deliver real value to our advertisers**
  - Ads for the King mobile network are the first step in building out internal ad products, tech stack, team and infrastructure

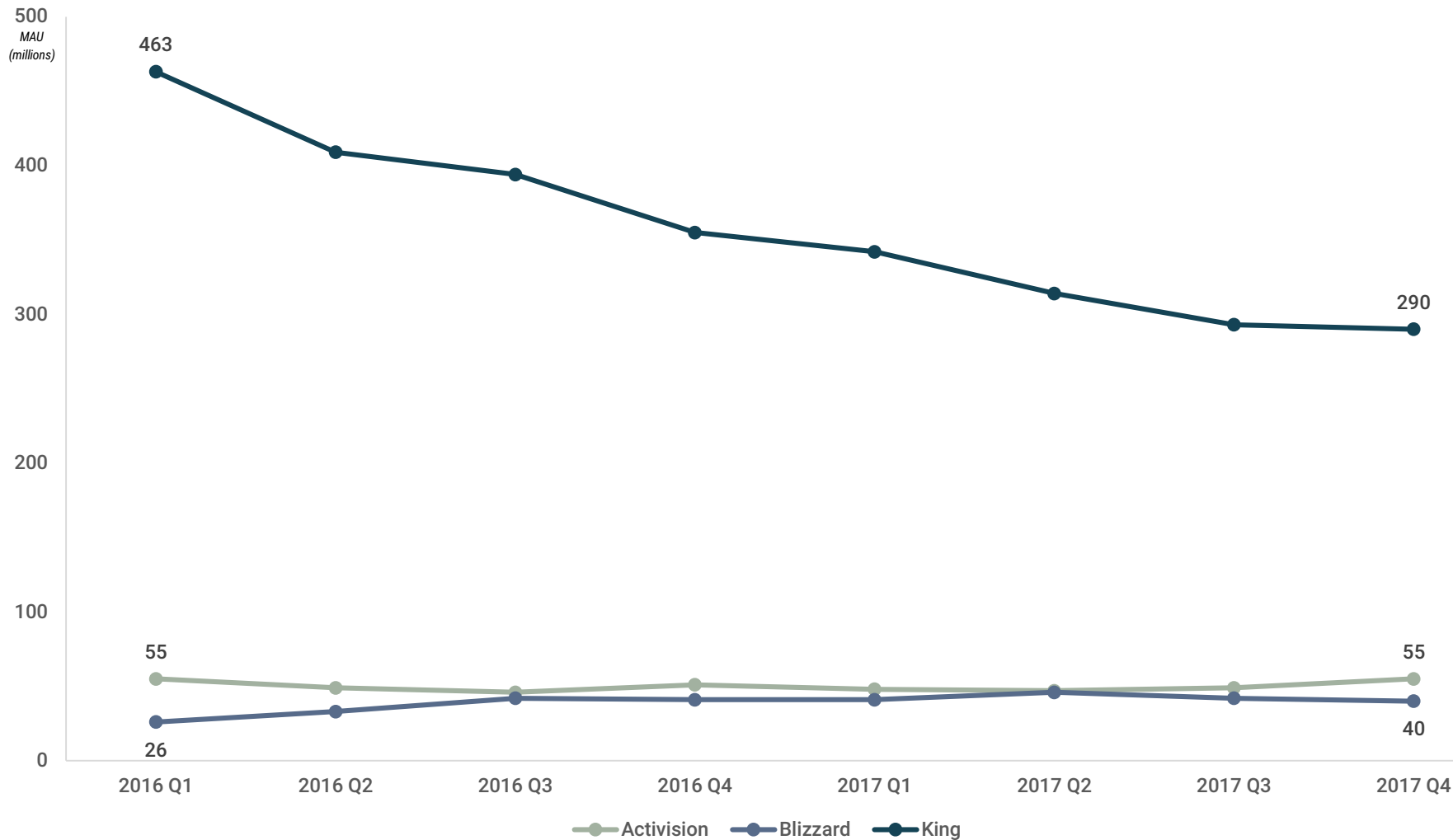
### DIGITAL GAMEPLAY

- **Consumer-led shift to full game downloads in consoles, similar to what they've already experienced on PC platforms**
  - Call of Duty finished 2017 at a 30% digital mix which is a bit of an acceleration in the historical 5 percentage point increase
- **In-game revenues will grow double digit percentages in 2018, as they continue to innovate and deliver more content to players**
  - There is a lot of value in releasing a steady stream of content after launch to maintain engagement

*Increased engagement from new and existing players create more monetization opportunities*

# Monthly Active Users

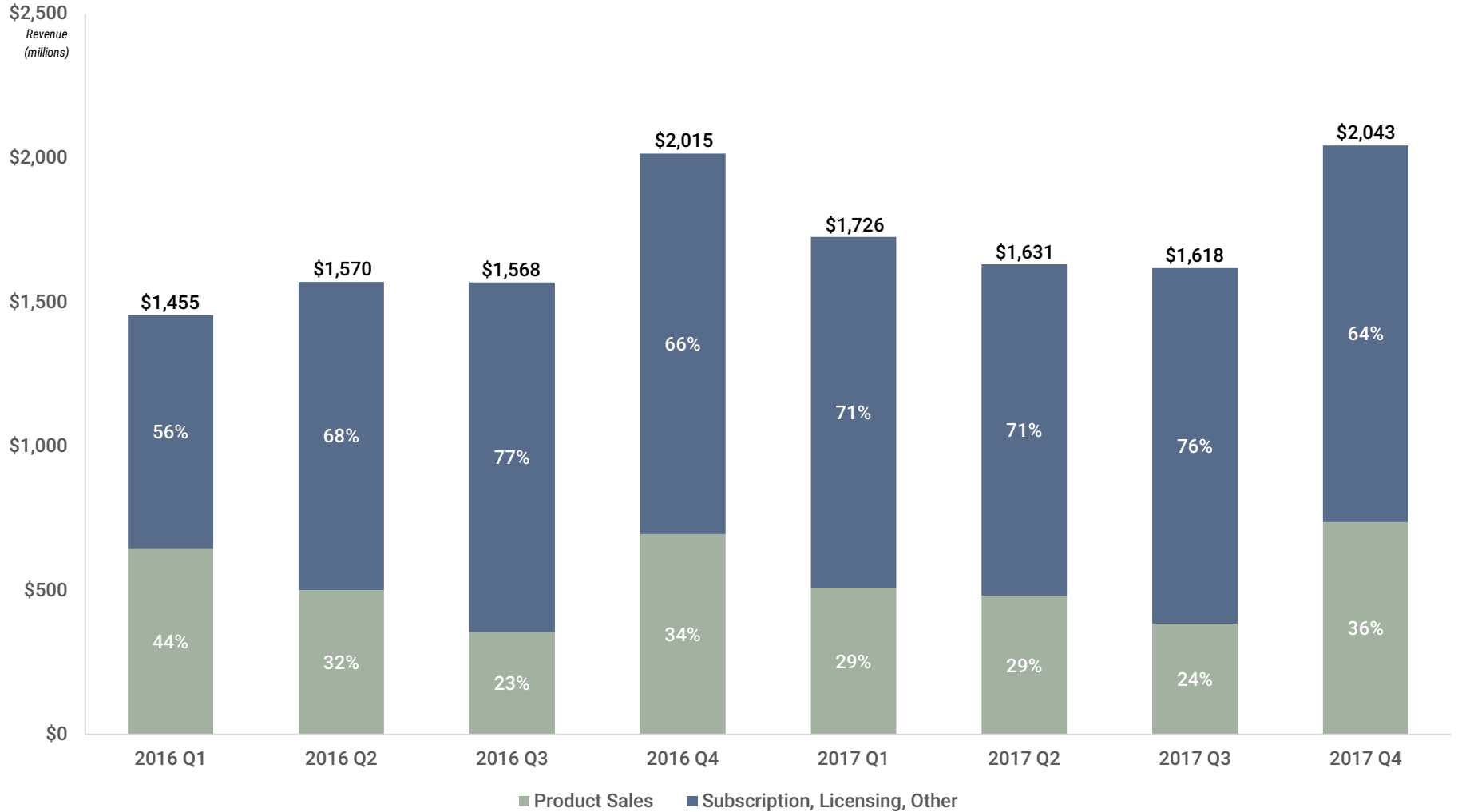
Blizzard's Popular Esports Titles Are A Main Driver Of Their MAU Growth



*King's free-to-play nature leads to higher churn and creates a bigger need for in-game features to maintain engagement*

# Net Revenues

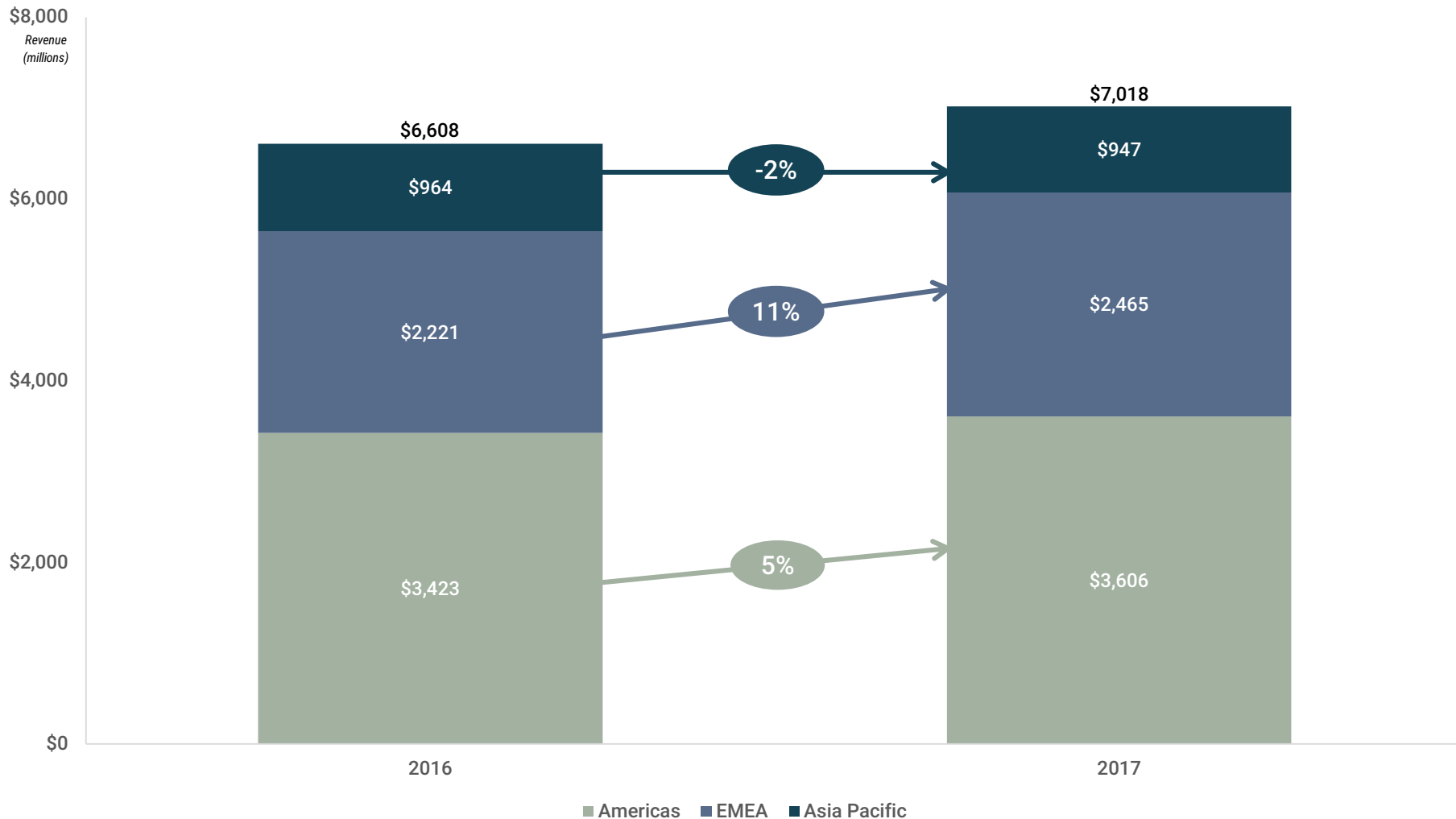
**Physical Sales From Holiday Season And Releases Of AAA Titles Still Drive Overall Revenues**



*Microtransactions and downloadable content keep players engaged and extend the life of popular games*

# Revenue By Geography

The Global Audience For Esports Creates A Lot Of Runway For Growth



*In Asia, there is a focus on creating new mobile games based off existing PC and console IP*