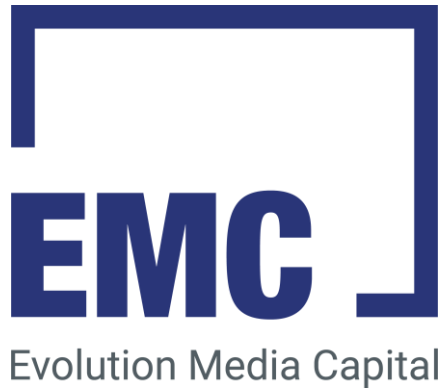




Activision (ATVI) 2018 Q1 Earnings Summary

May 2018

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Activision Blizzard Key Takeaways

The Early Success Of The Overwatch League Has Validated The Potential Of Esports

OVERWATCH LEAGUE

- Overwatch League is definitely outperforming expectations, as viewership has been very strong and consistent each week
 - **Have had millions of fans tuning in, and the average viewer spends over an hour of watching each day**
 - **Increased engagement overall with the hours combined spent playing and watching Overwatch growing QoQ**
- **Very strong demand for expansion teams and they've been meeting with potential new owners and new geographies**
 - **Will be highly selective in this approach, adding just a handful of teams in key strategic markets by end of year**

MOBILE

- The largest part of King's audience, Candy Crush MAU on mobile grew for the second quarter in a row
- **Focusing primarily on the player experience in the live games and increased the pace of releasing fresh content**
 - Opportunity to grow the reach, not only innovating in the game, but also innovating in the marketing
- **Mobile gaming represents a unique opportunity to dramatically expand its reach to new and existing players**
 - **Leveraging their powerful franchises across the company in the creation of new mobile franchises and titles**

ADVERTISING

- **King is growing its advertising business, supported by industry-leading viewability, completion and ad recall rates**
 - Goal is to build a strong, long-term business, and will ramp up further the investments during the year
- **Working very closely with the game teams to create ad experiences that are supportive of the gameplay**
- Ads are live in selling games, but have not yet turned on ads for all the players in these games
 - **Taking a measured approach where they A/B test before showing ads to new segments of players**

FORTNITE

- **Have seen some near-term impact from battle royale, but their business continues to perform at record levels**
 - New battle royale modes have compelling survivor mechanics and large in-game player pools
- **Have brought millions of new players into gaming, both on traditional platforms like console and PC, but also on mobile**
 - **Highlights the ability to successfully bring immersive gaming experiences to both Western and Eastern audiences**
 - Encouraging as they think about future mobile and growth opportunities, as gaming becomes increasingly mainstream

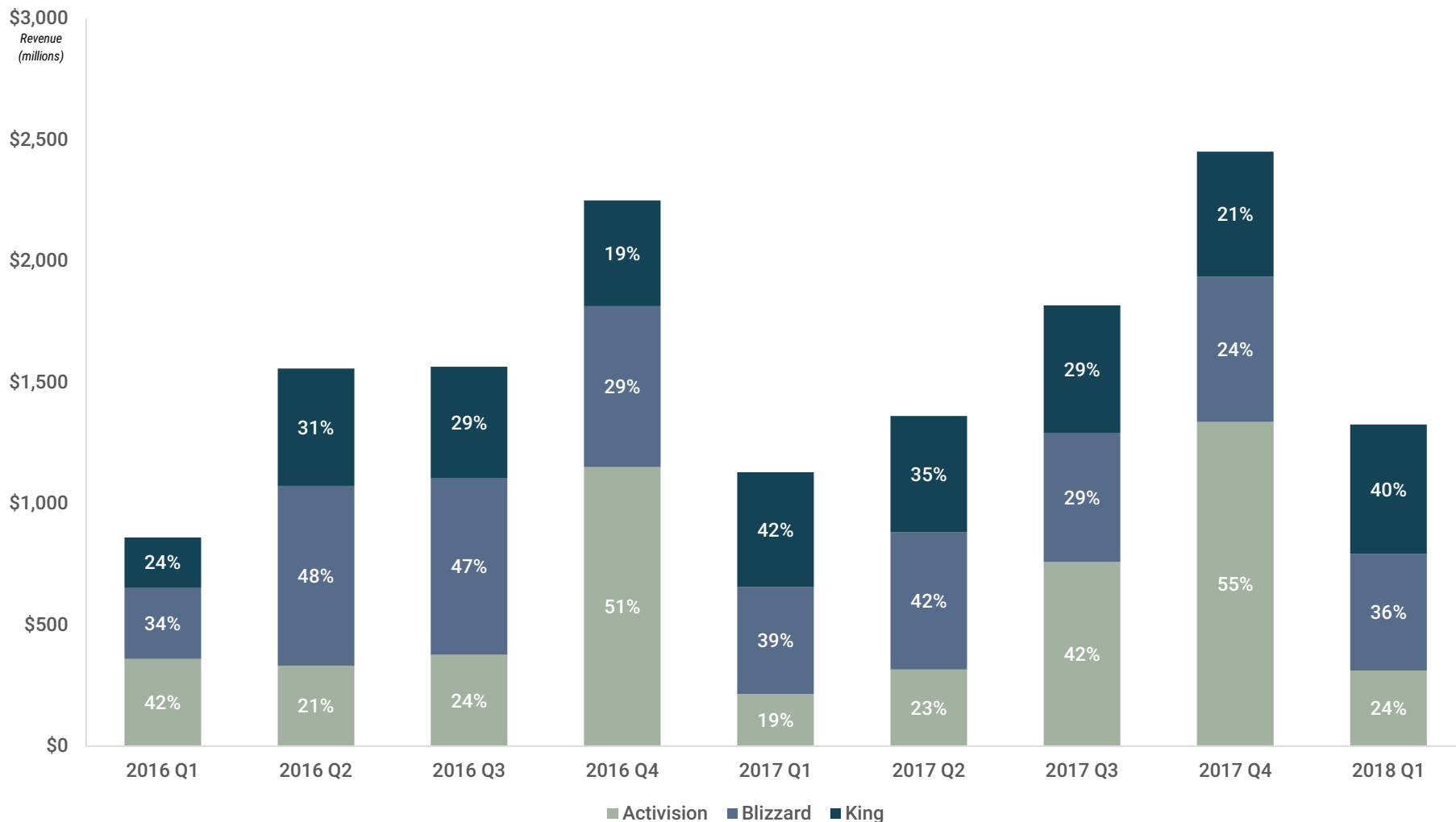
INDUSTRY

- **Gaming is the most engaging form of entertainment and time spent is projected to grow faster than all media, but messaging**
 - **Estimate that the interactive entertainment industry exceeded \$120 billion in revenues last year and grew at 20% YoY**
 - They are the largest standalone interactive entertainment company, and yet they represent less than 10% of the industry
- **Room for multiple business models to succeed in parallel, and they see this just in their own portfolio**
 - The most important piece is the value proposition, which for them is deeply compelling and engaging gameplay

The ability to transport console and PC franchises into mobile games is becoming increasingly important

Revenue

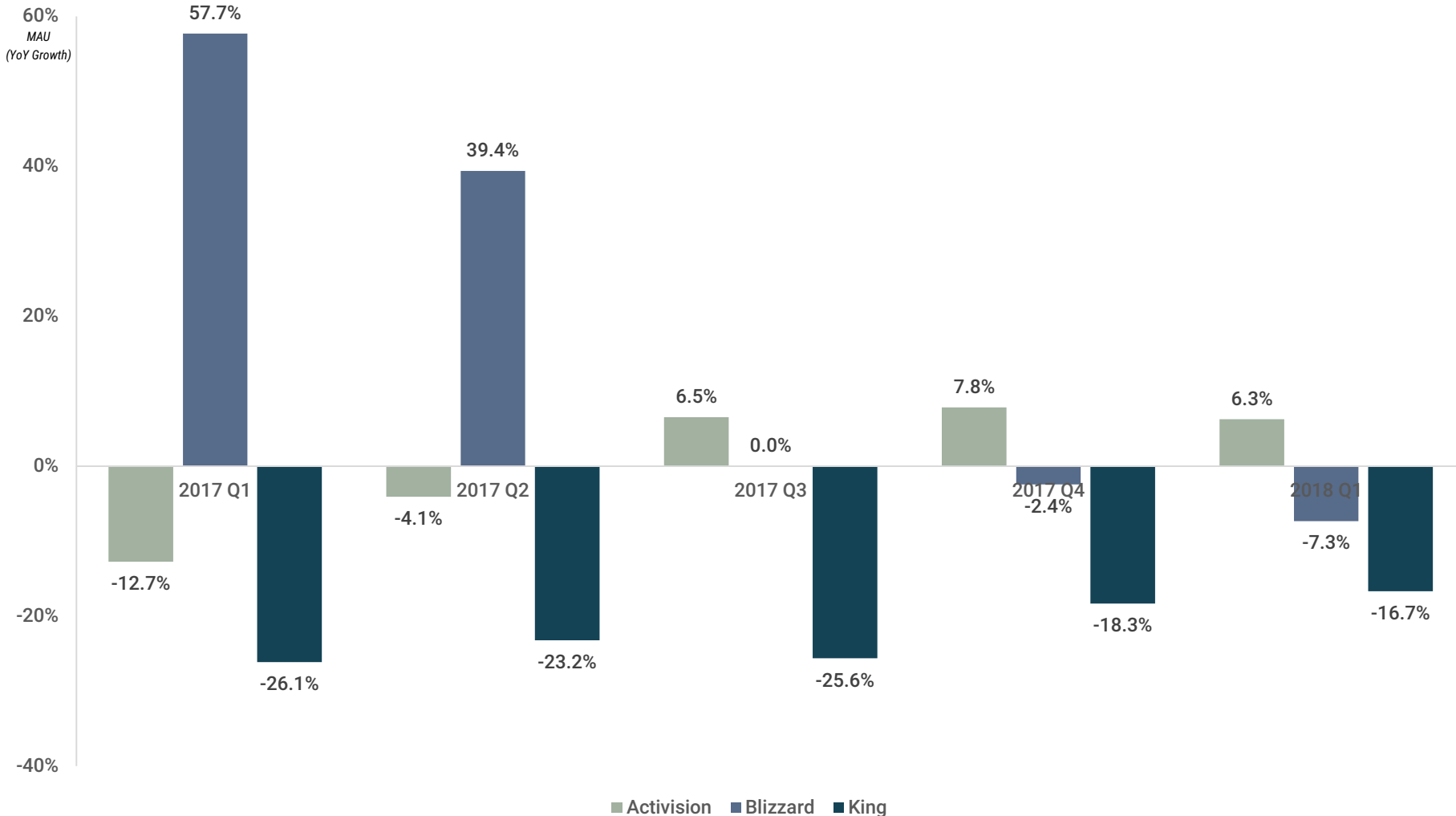
There Is A Diverse Portfolio Of Titles, But Key Franchises Continue To Drive Revenues



The ongoing shift to in-game content will provide steady revenue streams between new releases

MAU

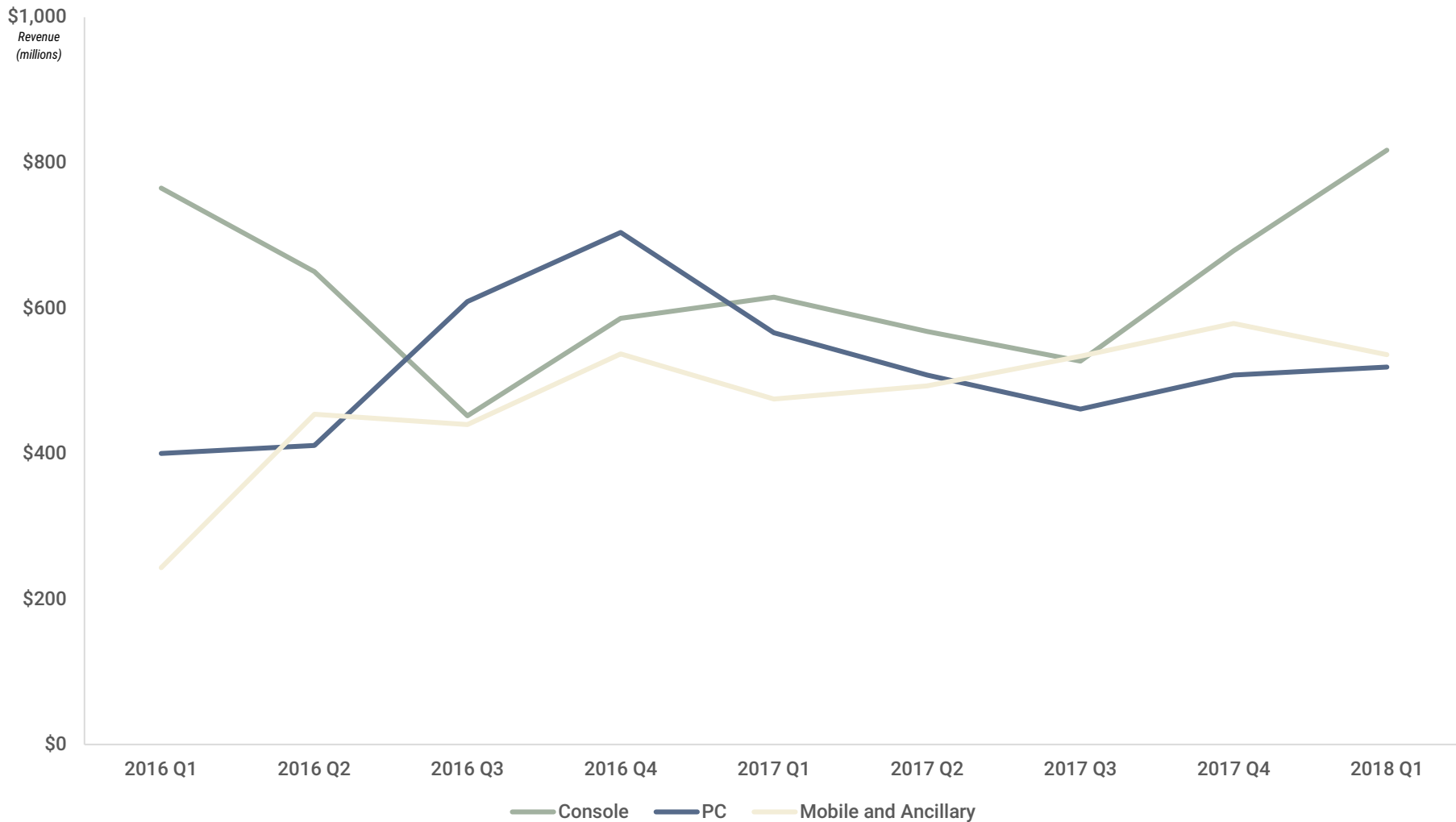
The User Base Should Expand As Gaming Becomes A More Mainstream Form Of Entertainment



The investment into in-game advertising will help monetize the decreasing mobile user base

Platform Revenue

The Development Of New Esports Leagues Will Help Support Traditional Platform Revenues



The recent success of Fortnite highlights the untapped potential of competitive mobile gaming