



Activision (ATVI) 2018 Q3 Earnings Summary

November 2018

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# Activision Blizzard Key Takeaways

Activision Can Use The Early Success Of *Black Ops 4* To Build Interest In Their *Call Of Duty* Esports League

## CALL OF DUTY

- **Engagement to date is better than any Call of Duty content in recent years and spectator viewing is higher than ever before**
  - Unit sell-through after the first 3 weeks is pacing ahead of Black Ops III, and PC sell-through is more than 3x higher
- **First period of building excitement and playing time is off to a good start, but the game is designed for long-lasting engagement**
  - Added progression and system designs to give deep playability and content for months and years to come
  - Responding to players and their in-game actions to build services and features that will engage with them even more

## MOBILE

- **King's expertise is being shared throughout the company as they invest in Activision and Blizzard franchises for mobile releases**
  - Many of the most successful mobile games today are based on intellectual property originally created for consoles and PCs
- **Primary focus is on casual games and on Candy Crush in particular since it's their largest franchise**
  - Investing in a steady stream of new content to retain and engage the existing players, but also to win back their large lost audience
  - Mid-core is a space they want to develop a strong position over the long term and are actively investing in other genres

## DIGITAL

- **PC business is growing multiples and Battle.net allows them to release games at scale and gain access to new markets in Asia**
  - Have a much deeper and richer understanding of players because they are now on their network
  - Comes at better profitability given that it's entirely digital and because it's on their platform, the economics accrue to them
- **All sales channels are important but there is a certainly an ongoing consumer-driven trend of digital purchases**
  - Brings them closer to the consumer and is a long-term positive for the business with a lot of runway ahead

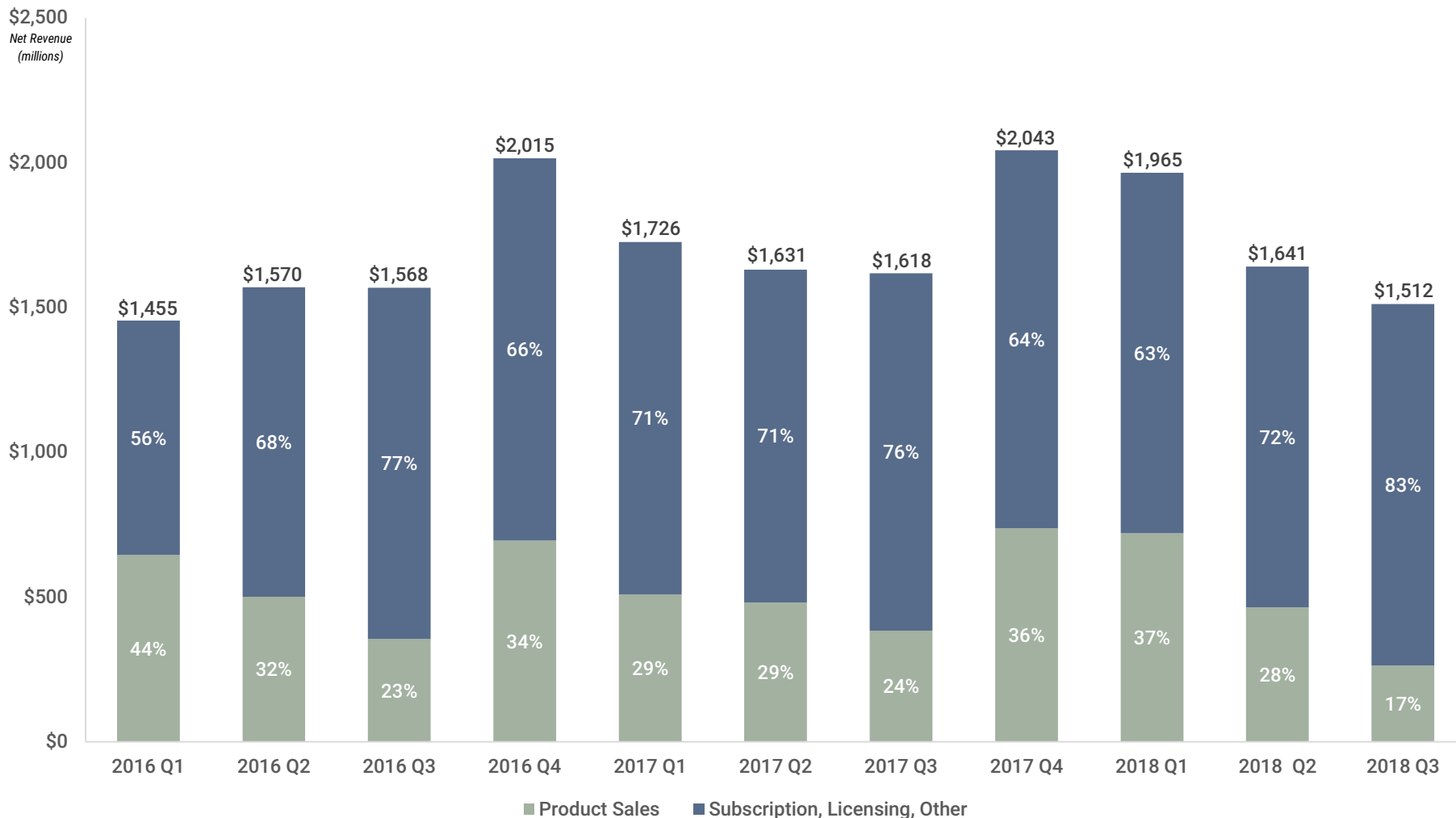
## ADVERTISING

- **Pleased with early momentum in advertising initiatives and focused on further scaling ads across the network**
  - Ads team works closely with game teams to integrate ads into the key titles
  - Enabling ads for even more players in games where they already exist and also introducing ads to more games
- **Rewarded video is a great format for brand advertisers because it associates brands with a positive experience in the game**
  - Seeing strong growth in the number of advertisers committing to meaningful campaigns as well as growth in the average spend

*The recent community uproar from Diablo Immortal shows the difficulties of transporting major IP onto mobile*

# Revenue Mix

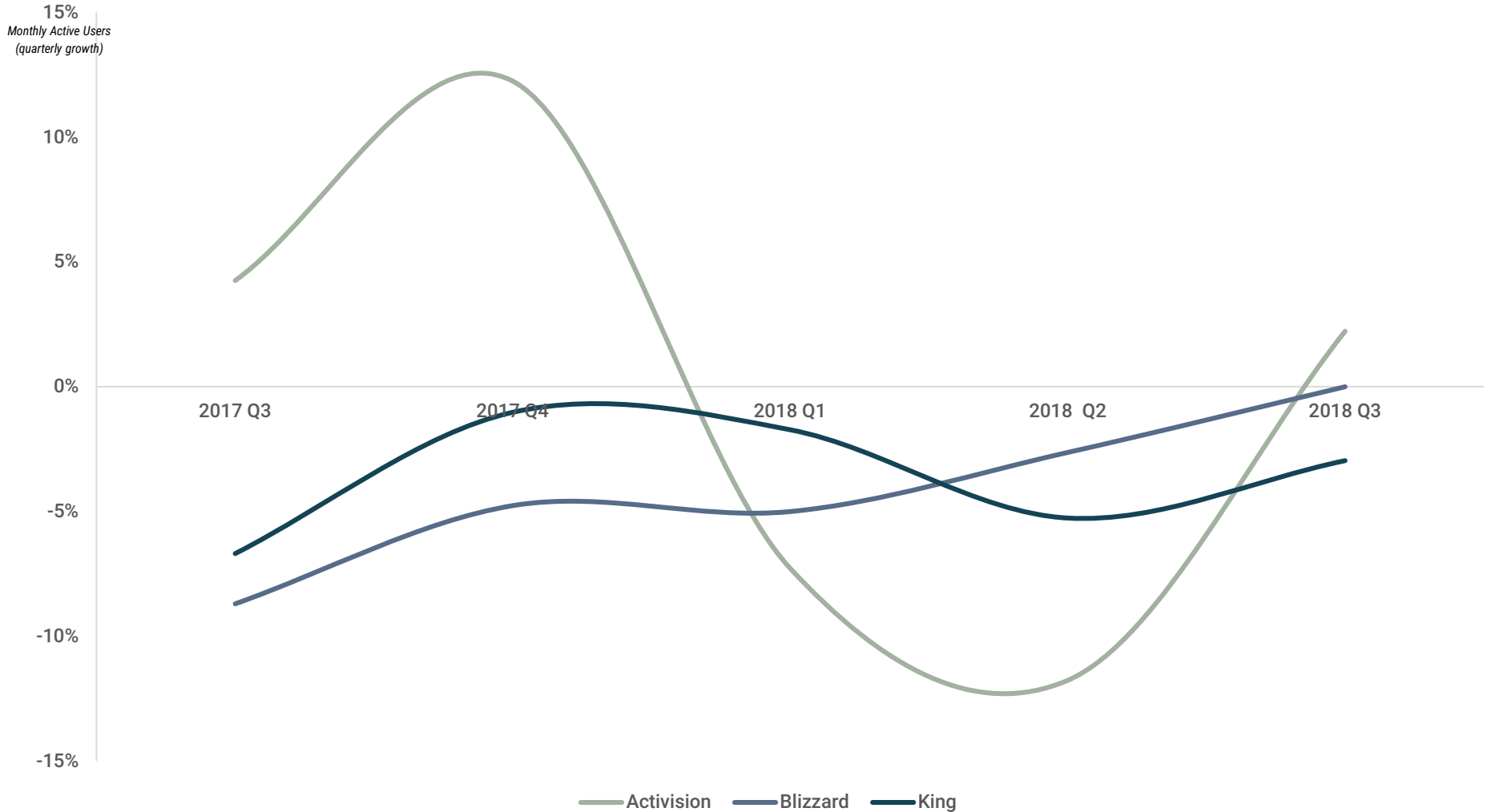
Improvements And Innovation Around In-Game Content Represent One Of The Biggest Growth Opportunities



*Digital downloads are picking up momentum, but still represent a surprisingly small portion of the overall mix*

# MAU

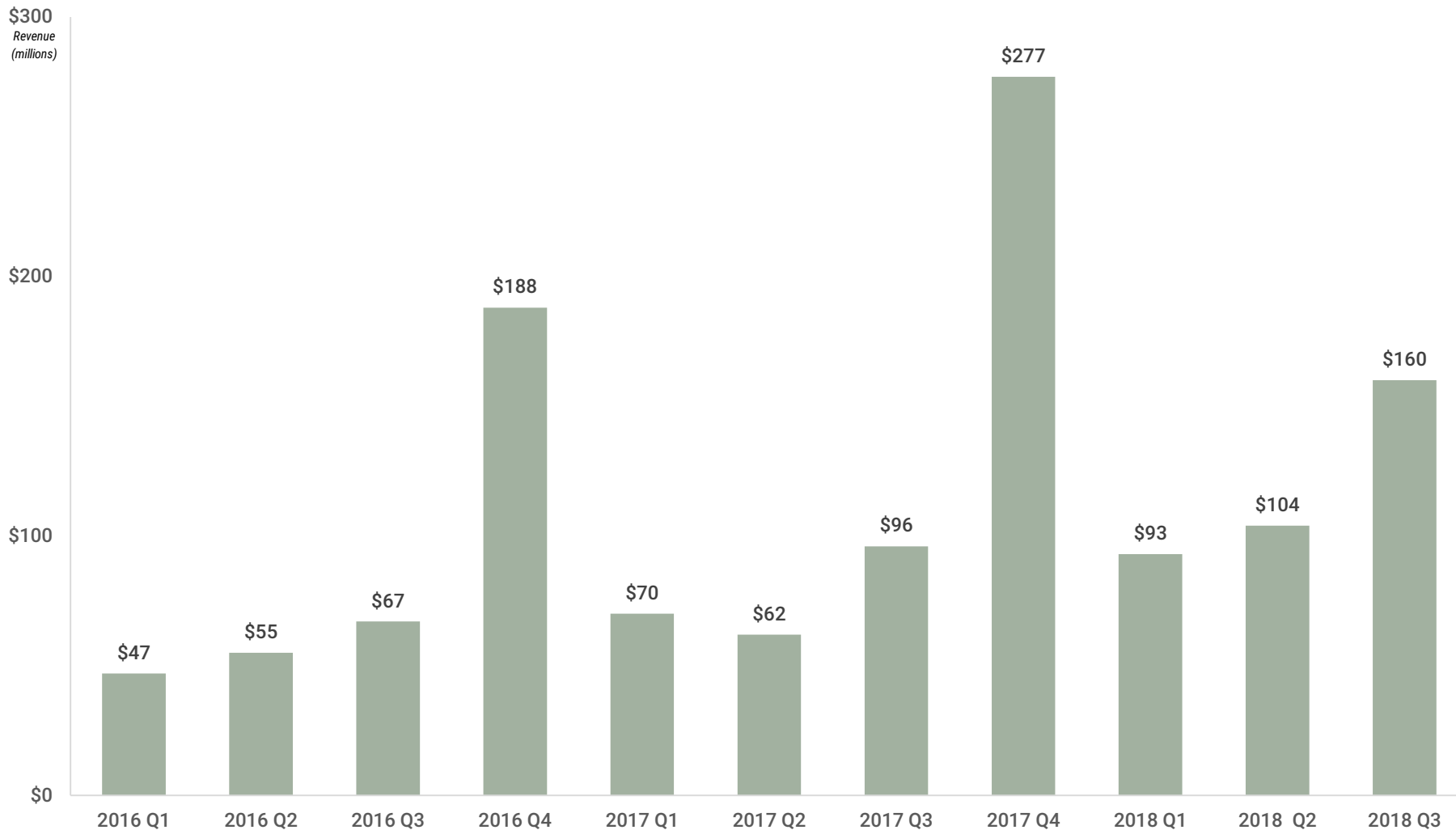
## More Frequent Content Releases Will Be Necessary In Order To Retain Casual Mobile Gamers



*Expansion of advertising needs to be done thoughtfully as it could accelerate the decline of active users*

# Esports Revenue

Franchise Fees Comprise The Majority Of Esports Revenues, But There Is Plenty Of Runway For Growth



*In the beginning, many of the benefits from Esports initiatives will be monetized at other parts of the business*

Note: "Other Revenue" include revenues from Studios and Distribution businesses, as well as revenues from MLG and the Overwatch League.