

Activision (ATVI) 2018 Q4 Earnings Summary

February 2019

[Sign Up For Additional Research From Evolution Media Capital](#)



Activision (ATVI) 2018 Q4 Earnings Summary

February 2019

Key Takeaways

Activision Is Reorganizing Their Business To Allocate More Resources Towards Their Biggest Franchises

BUSINESS MODELS

- **Economic model has to work with the franchise, the community and the gameplay, so they all reinforce each other**
 - Have multiple business models across their franchises today through free-to-play games, micro-transactions, upfront charges and subscription
 - Need to be able to move more quickly and rapidly evolve with the demands of their players in the market
- **The most proven platform for free-to-play is mobile, but starting to see competitors on PC and console go that route**
 - Well-polished AAA experience for players can come with an upfront charge, and still be a great player experience and a great business model

RESTRUCTURE

- **2019 will be a transition year as they implement changes to enable their teams to create better content for their biggest franchises more quickly**
 - Driving a significant increase in investment, focus and capabilities around their biggest franchises that have the highest opportunity for growth
 - Deprioritizing initiatives that are not meeting expectations and reducing an unnecessary level of complexity and duplication that has built up in certain parts of the business
 - Integrating global and regional sales, go-to-market partnerships and sponsorships capabilities across the business in order to leverage scale

BUNGIE

- **Signed mutual agreement to sell back the commercial rights to *Destiny* and eliminate their ongoing investment in the game**
 - The game is critically acclaimed, but it was not meeting their financial expectations and was not a material contributor to the business
 - Frees up one of their scarcest resources, developer talent, to focus on their biggest franchises
- **Didn't own the underlying IP as they do for all their other major franchises, which is a differentiator for them in the industry**
 - Controlling the underlying IP lets them create new engagement models, which comes with new revenue streams and higher economics

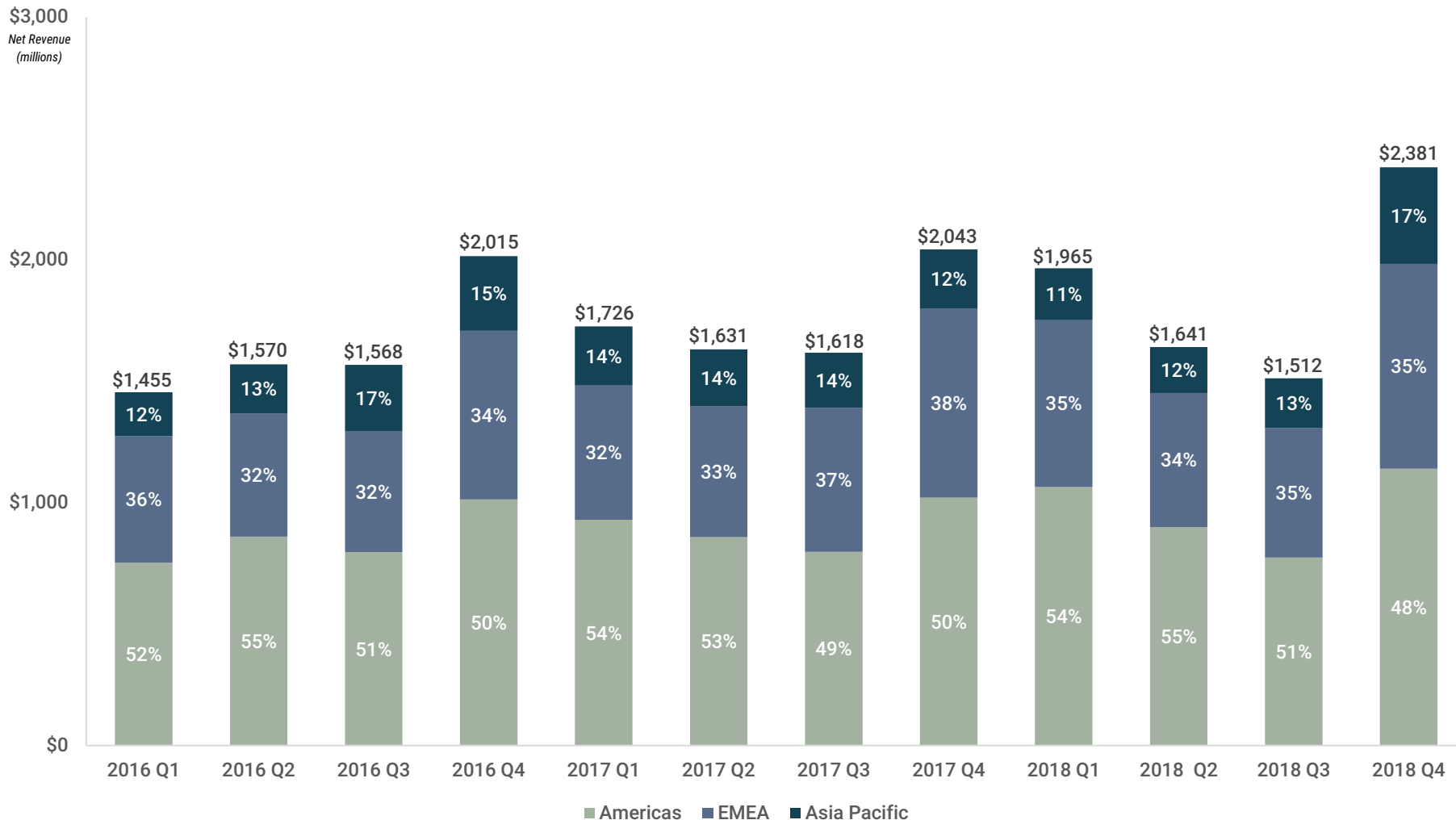
CALL OF DUTY

- ***Call of Duty* generated more upfront sales than any other console franchise worldwide in 2018**
 - Engagement was strong, with average hours per player increasing versus *Black Ops III*
 - Saw a significant shift to digital this year, with full game downloads representing over 40% of console sell-through vs. 30% for *World War II*
- **Will deliver more frequent content updates and events and accelerate its expansion across platforms and geographies**
 - Intend to launch a professional city-based *Call of Duty* league that drives engagement and represents a sizable incremental economic opportunity

The goal is to accelerate their shift into a digital economy with more frequent in-game content

Geography Mix

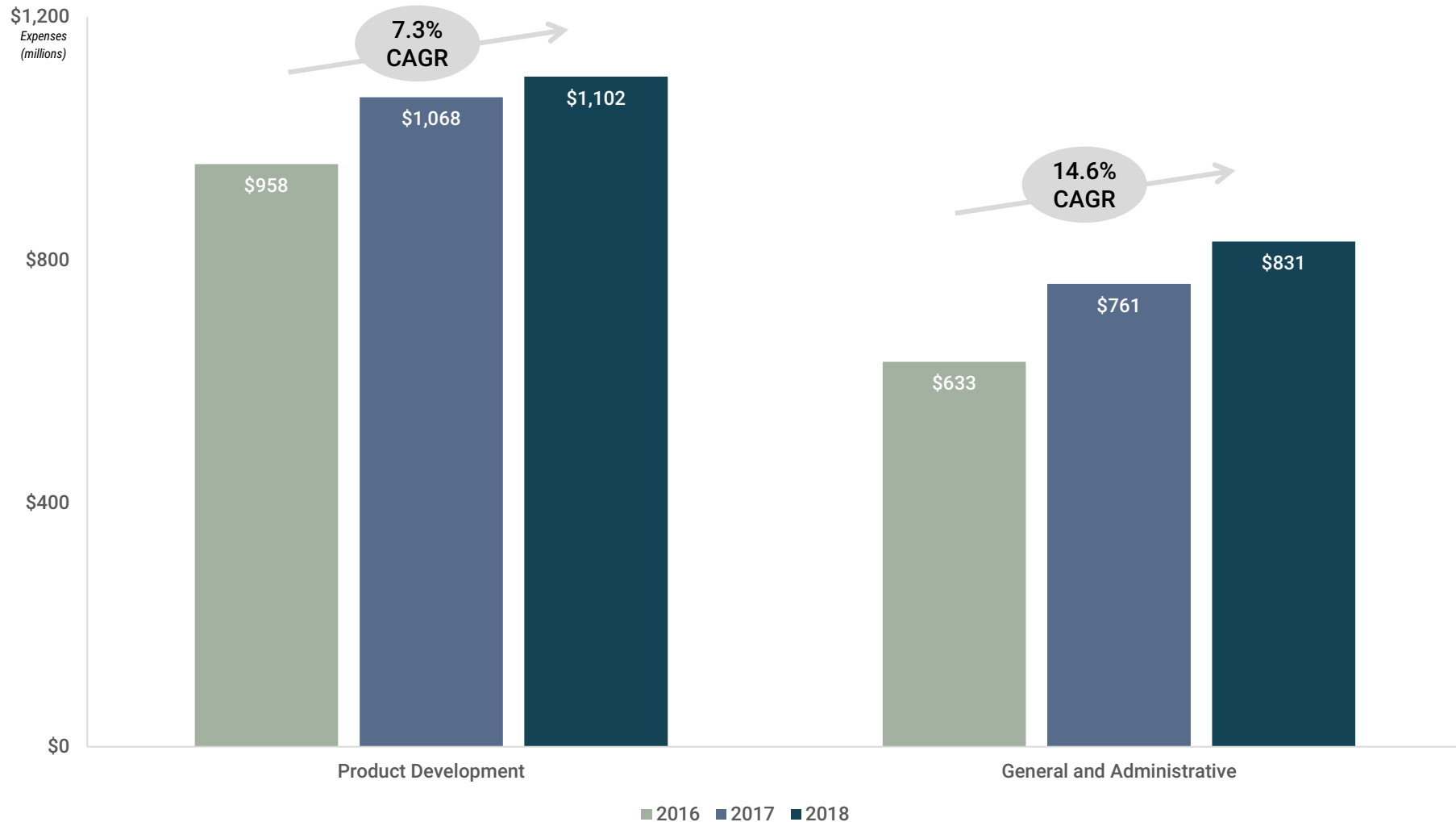
There Is A Willingness To Work With External Partners To Better Capitalize On Expansion Into New Markets



While they have seen success in casual mobile games, it has more difficult to transport existing IP onto new platforms

Operating Expenses

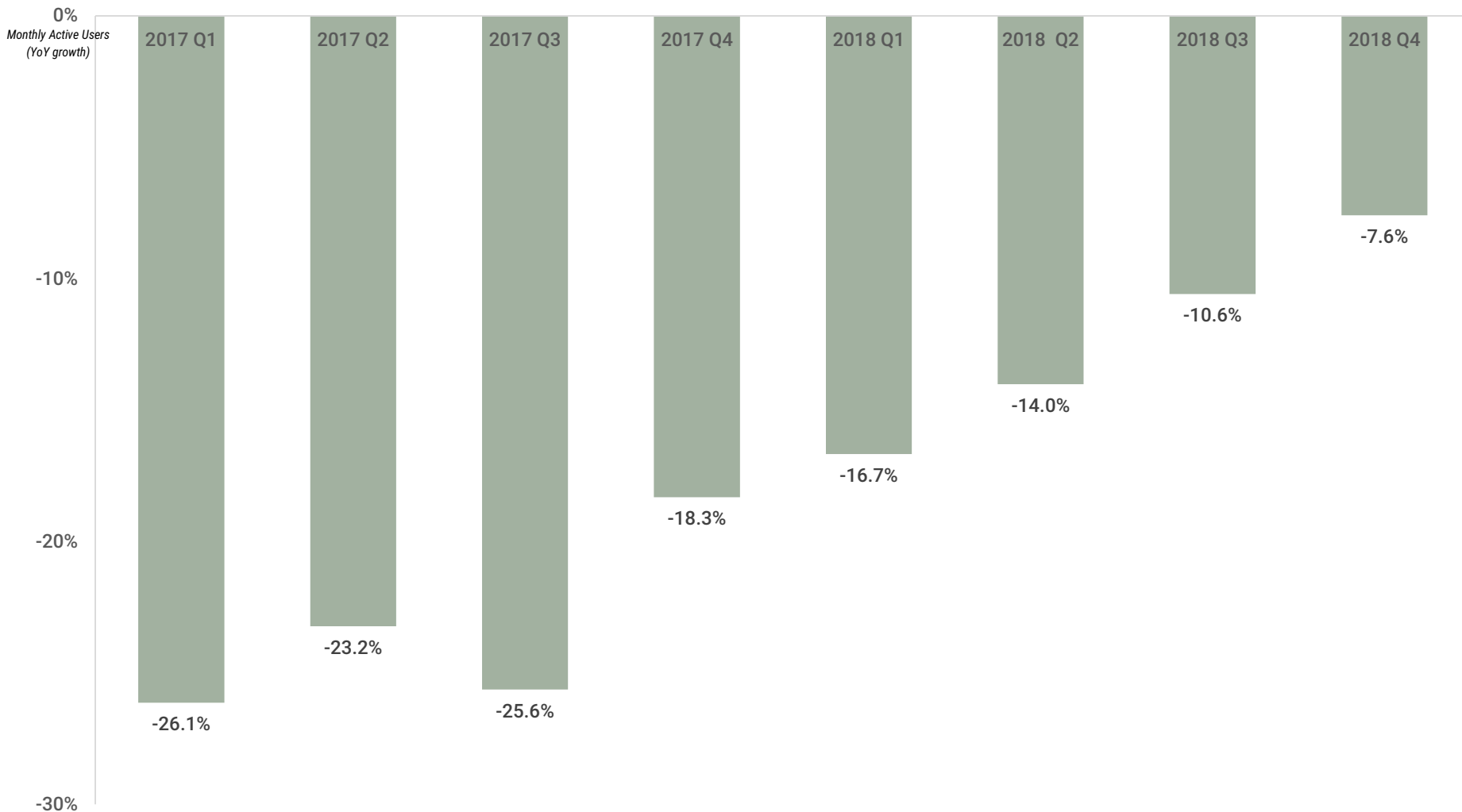
Restructuring Plans Will Result In A 8% Reduction In Headcount, Mainly From Back Office Functions



Over the course of the year, there will be a 20% increase in the number of developers working on their most popular titles

King MAU

King Will Increase Its Focus On Driving Engagement And Monetization With In-Game Content And Features



Advertising initiatives are gaining momentum and can increase monetization of a consistently declining player pool