



Activision (ATVI) 2019 Q1 Earnings Summary

May 2019

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



Activision (ATVI) 2019 Q1 Earnings Summary

May 2019

Key Takeaways

Activision Is Expanding Their City-Based Esports League Model To Their Other Popular Franchises

ESPORTS

- **Launched the 2019 season for the Overwatch League with an expanded roster of 20 teams and viewership up more than 20%**
 - Generating substantial revenues from broadcast rights, sponsors and licensees, so from a commercial perspective, the league is doing well
 - Leading brands recognize the opportunity to engage a hard-to-reach demographic deeply immersed in the highest esports experiences
- **One of the critical building blocks is the city-based model, with franchises building fan communities around the world**
 - Creates a lot more enduring appeal and deepens the engagement that players have with these franchises

BUSINESS MODELS

- **Have clear opportunities to grow the reach, engagement and monetization of their franchises through new business models**
 - Upfront content that sells for a premium has significant appeal to players and they are pleased by the AAA experiences they can provide
 - Working on the optimal business models for each of their franchises including assessing opportunities around free-to-play
- **It always has to start with compelling and engaging content but different gameplay lends itself to different kinds of monetization**
 - Conducting tests to understand the content, marketing and timing implications of different business models

CALL OF DUTY MOBILE

- **See significant potential for Call of Duty on mobile over the coming years given the franchise's global recognition**
 - Starting to see first-person action games on the mobile platform attract really substantial audiences
 - Saw over 10 million preregistrations at Google Play for the game, which is a really strong and significant result for a new title
- **Approaching the mobile opportunity in 2 ways, both through internally developed content and through partnerships**
 - Working with Timi, one of Tencent's top studios, and they're putting a ton of resources behind the game and it continues to shape up really well

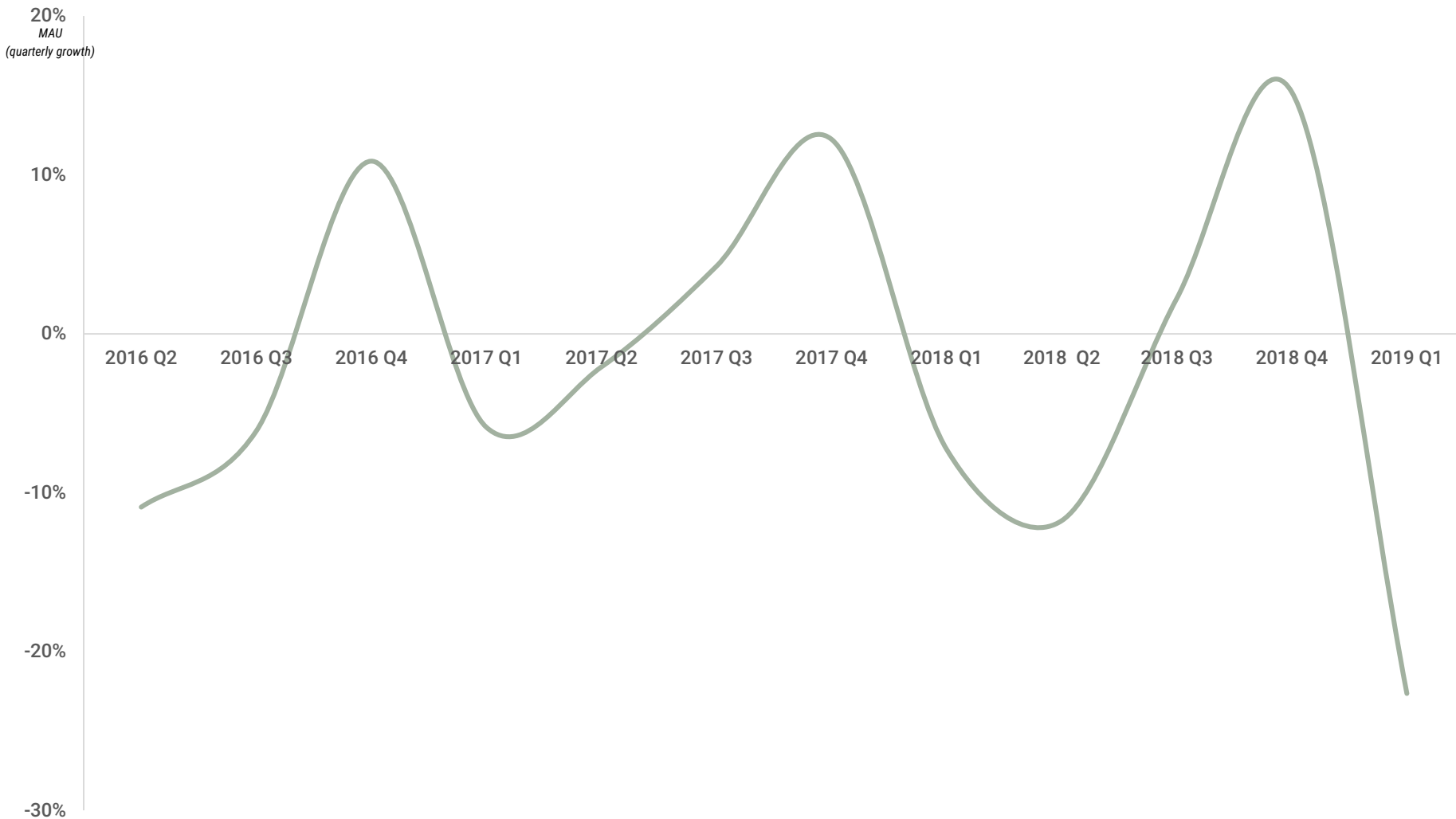
REORGANIZATION

- **In today's landscape, gamers are playing fewer games longer, so a franchise-focused approach is more relevant than ever**
 - Continuing to selectively invest in new potential franchises, but their focus is innovation towards improving their biggest franchises
- **Organizing expanded development teams to better support the delivery of both upfront content and live operations**
 - Have a major program underway to integrate global and regional sales and go to market, partnerships and sponsorships capabilities
 - More resources dedicated to following up with the volume and the cloud gaming content that gaming communities increasingly expect

The business is revolving more around tentpole content and monetizing it through long-term player engagement

Activision MAU

The Large Drop In Active Users Was Due To The Omission Of *Destiny* Players After Selling Those Rights



The new strategy will be more about deepening engagement with current users, rather than trying to attract new players

Expenses

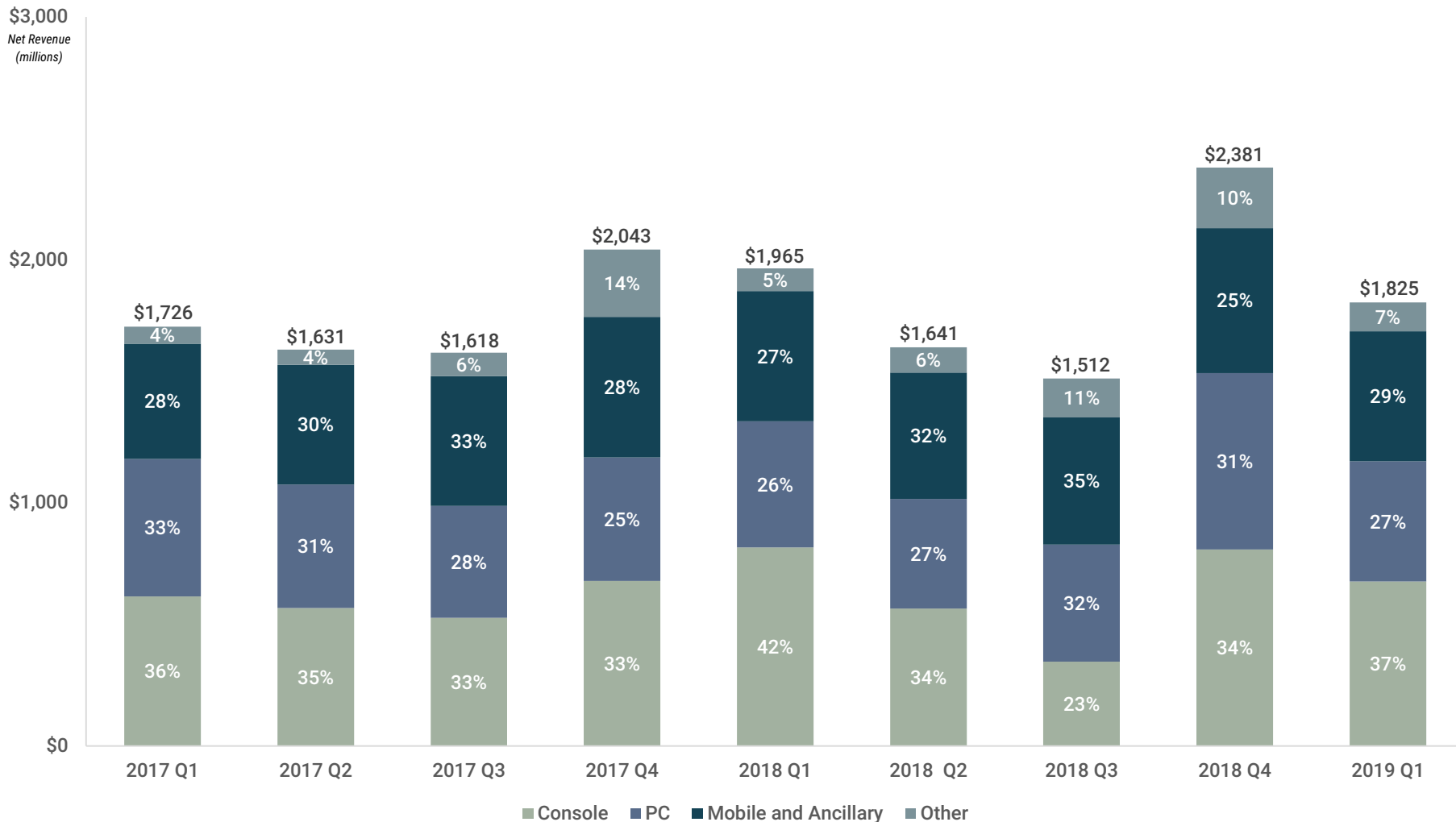
The Shift Towards In-Game Monetization Provides More Stability Than The Variance Around Release Dates



The free-to-play business model can be successful, but it will not work for every type of game, so they need to be flexible

Revenue by Platform

Cloud Gaming Will Broaden The Gaming Audience, Making Their Marquee Franchises Even More Valuable



There is still difficulty porting AAA gameplay onto mobile devices, where players prefer a lean-back experience