



Activision (ATVI) 2020 Q1 Earnings Summary

May 2020

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# Key Takeaways

## Activision Has Created A *Call Of Duty* Ecosystem Across Platforms To Attract A Wide Range Of Players

### CALL OF DUTY

- **With a free-to-play business model and cross-platform play, Warzone expanded Modern Warfare's reach and engagement**
  - Seeing the free-to-play experience driving strong incremental sales on the premium title, adding to rising demand from stay-at-home conditions
  - Games are connected in many ways, including through shared progression systems, game systems and content offerings
- **Call of Duty Mobile team continues to build new content, features and events aimed at optimizing retention and player investment**
  - Started to deliver an accelerated cadence of content in March, launching new seasonal events every 4 weeks, twice as frequently as previously

### PLAYERS

- **Big opportunity for an acceleration in long-term structural shifts that they have already seen from existing heightened engagement**
  - With the younger generation of consumers, gaming is more an integrated part of their social fabric, and it will become even more mainstream
  - Trying to lean into this and bring more gamers into their communities and give them a compelling experience that turns them into long-term fans
- **The low cost per hour of gaming makes it a great value versus other forms of entertainment**
  - There could be more engagement with slightly weaker monetization, but in the long term, that is an opportunity because that usually normalizes itself

### DEVELOPMENT

- **The digital nature of their content means creative talent can continue to work on the product pipeline from home**
  - There are aspects that are more challenging via remote work, like collaborative design, in-person user research, motion capture, and QA
  - Will continue to deliver in-game experiences for key franchises and still expect to deliver a robust slate of content over the remainder of the year
- **New titles are good for players because they bring fresh ideas, and that's really something that everyone benefits from**
  - If they are focused on gameplay first and continue to listen to their community feedback, they experience great results

### KING

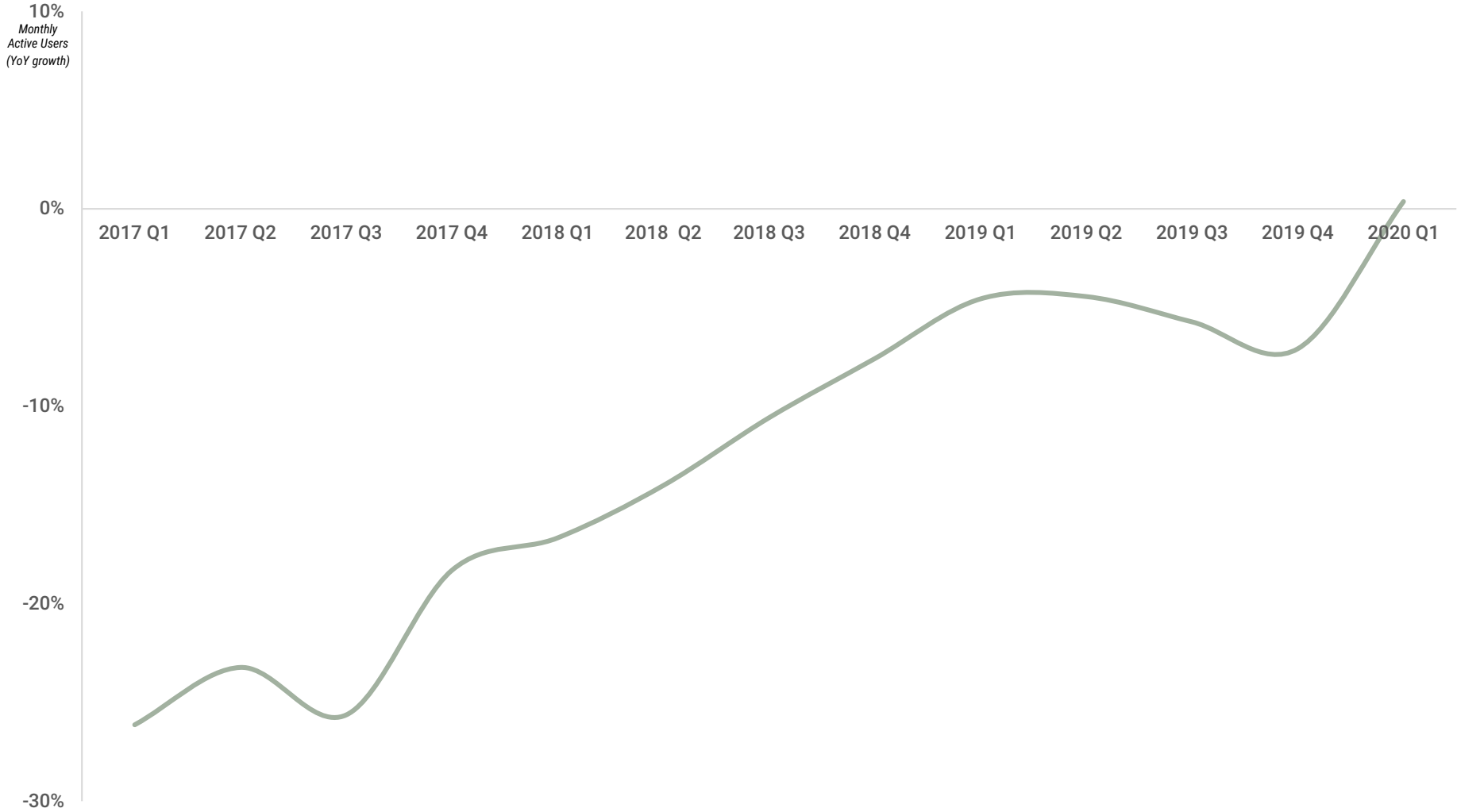
- **Advertising grew over 75% in Q1, then moderated a bit in April against the backdrop of a sudden decline in demand**
  - Doubling down on brand relationships in sectors that aren't experiencing slowdowns and are experiencing sustained demand for their products
  - Rolling out new technology in games that allows them to really optimize their demand and get higher CPMs for the ads that they are showing
- **With the introduction of the right content and timely offers, more players and payers start coming into the ecosystem**
  - Innovating the content pipeline and the features within what's happening in the game to keep these players engaged

*There may be delays to some projects, but so far, remote work hasn't had a major impact on the development teams*

# King



The Focus Has Been On Bringing Back Lapsed Players Rather Than Increasing Monetization Of Current Ones

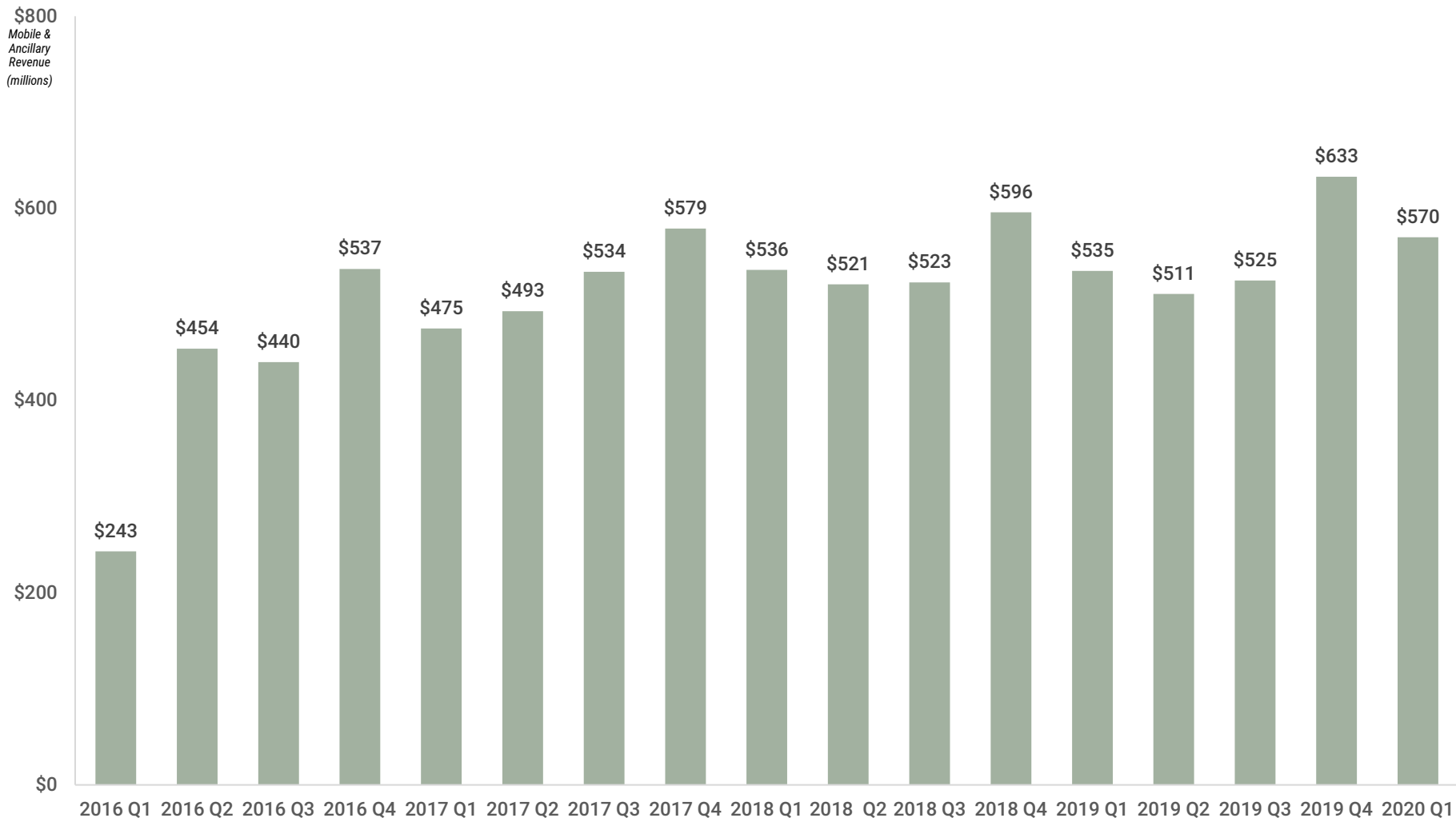


Advertising network is relatively nascent, but is poised to capture upside from the rapid growth in mobile developers



# Mobile

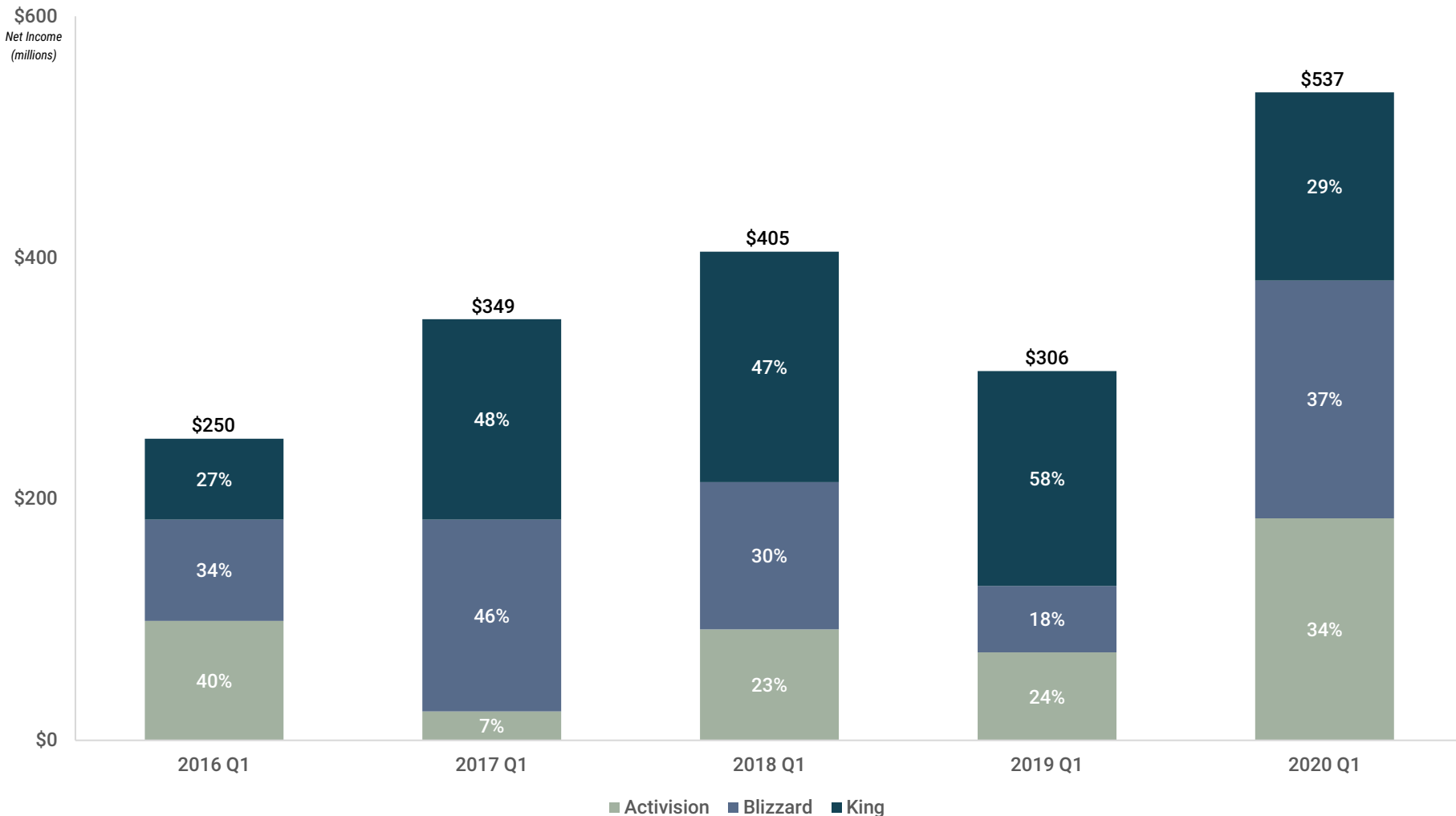
There Is A Big Emphasis On Building Out Tech Infrastructure To Expand And Optimize Their Ad Platform



*Call Of Duty Mobile is increasing its cadence of updates, but also drives value by upselling players into the premium title*

# Net Income

In Economic Downturns, Games Benefit From Their Low Cost Of Entertainment Versus Other Media Formats



*With people under stay-at-home orders, the shift to digital purchases should accelerate, which will expand margins*