

From: Tim Stuart </O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=MICROSOFT.ONMICROSOFT.COM-55760-TIM STUART>
To: Matt Booty
Sent: 5/5/2021 3:08:10 PM
Subject: RE: Activision Blizzard FY21 Q1 Earnings Summary

100% right – we'll get out of position on this one if we keep our eyes on the console game only.

Don't want to be the oil company when the world shifts to 100% electric cars.

From: Matt Booty <mbooty@microsoft.com>
Sent: Wednesday, May 5, 2021 8:05 AM
To: Tim Stuart <timstu@microsoft.com>
Subject: RE: Activision Blizzard FY21 Q1 Earnings Summary

The talk track about taking the big franchises to mobile makes me feel way out of position. Have to get going there.

COD on mobile is going to dwarf console.
Destiny is going to need mobile if it's going to keep up.

From: Tim Stuart <timstu@microsoft.com>
Sent: Wednesday, May 5, 2021 8:01 AM
To: Gaming LT <gaminglt@microsoft.com>
Subject: FW: Activision Blizzard FY21 Q1 Earnings Summary

ATVI up 4% today. Q1 summary below.

From: Ria Ghose <riaghose@microsoft.com>
Sent: Wednesday, May 5, 2021 7:58 AM
To: Xbox Finance FTE - WW <XboxFinanceFTE@microsoft.com>; Kendra Goodenough <Kendra.Goodenough@microsoft.com>; Lea Ward (SHE/HER) <Lea.Ward@microsoft.com>
Subject: Activision Blizzard FY21 Q1 Earnings Summary

Activision Blizzard FY21 Q1 Earnings Summary

3 Months Ending March 31st 2020



Activision Blizzard (ATVI) announced its FY21 Q1 financial results on May 4th. ATVI beat analysts' expectations across revenue, MAU, and earnings, citing strong performance across *Call of Duty Modern Warfare* and *Warzone*. CEO Bobby Kotick says that free-to-play and mobile as new entry points to the franchise have helped triple monthly active users to 150M. In response to the proven success of *Call of Duty*, Activision is honing in on applying this same approach to its other major franchises and grow its audience to a billion users. To support these plans, Activision plans to hire over 2000 developers in the next year, which would expand both its new and existing studios.

Activision exceeded its prior outlook for its first quarter and a solid outlook for the rest of the year, anticipating \$8.3B in net revenue for FY21.

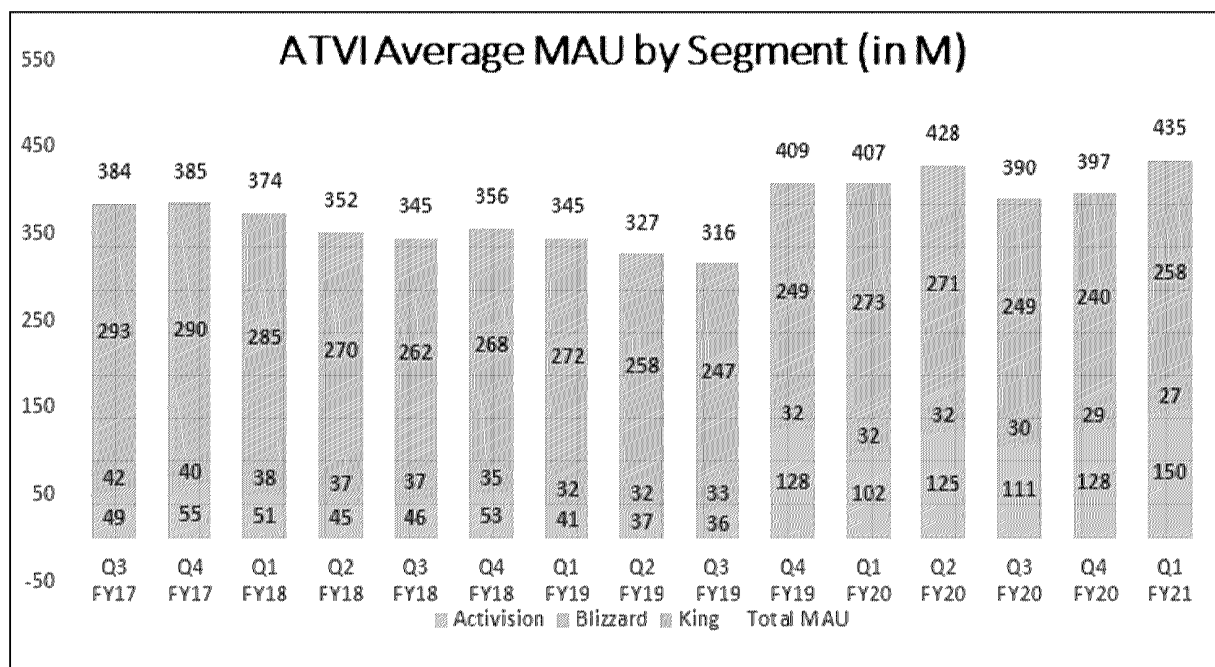
Q1 Financial Highlights:

- Revenue landed at \$2.28B (+27% Y/Y)
- Net bookings of \$2.07B (+36% Y/Y)
- Popular franchises brought MAU to end Q1 at 435M
- Strong Y/Y growth driven by *Call of Duty (Modern Warfare and Warzone)*, which has seen a significant increase in its scale as the franchise expanded across platforms, geographies, and business models

ATVI Q1 Results				
3 Months Ending March 31st				
In M USD	2021	2020	Y/Y	Y/Y%
Net Bookings¹	2,066	1,522	544 ↑	36%
Product Sales	675	543	132	↑ 24%
Subscription, Licensing, and Other ²	1,600	1,245	355	↑ 29%
Net Revenue	2,275	1,788	487 ↑	27%
Product Sales COGS	252	201	51	↑ 25%
Subscription, Licensing, and Other COGS	1,228	975	253	↑ 26%
COGS Total	1,480	1,176	304 ↑	26%
Product Sales GM	62.67%	62.98%		↓ 0 pp
Subscriptions, Licensing, and Other GM	23.25%	21.69%		↑ 2 pp
Operating Income	795	612	183 ↑	30%
OI Margin	35%	34%		↑ 1 pp
Net Income	\$ 619	\$ 505	114 ↑	23%

1 Net Bookings is equal to net revenues excluding the impact from deferrals

2 Subscription, Licensing, and Other revenues represent revenues from World of Warcraft subscriptions, licensing royalties from our products and franchises, downloadable content, microtransactions, and other miscellaneous revenues



Q1 Financial Highlights by Segment:

Activision: 150M MAU

- **Revenue grew 72% Y/Y** driven by *Call of Duty: Black Ops Cold War* and *Warzone* through their in-game revenues, strong premium sales, and mobile platform
- Activision MAU growth driven by free-to-play and mobile experiences. Franchise MAU has tripled over the last 2 years.
- *Call of Duty* franchise grew 40% Y/Y and *Call of Duty* console and PC in-game net bookings grew 60% Y/Y
- *Call of Duty Mobile* had one of the largest mobile game launches and recently launched in China

Blizzard: 27M MAU

- **Revenue grew 7% Y/Y driven by strong quarter of growth for *World of Warcraft***
 - First quarter franchise net bookings for *World of Warcraft* grew sharply Y/Y, with a high number of new players joining the community for the first time
- *Overwatch League* signed a multi-year partnership with Bilibili Esports for exclusive rights to broadcast league games to the growing fanbase in China
- *Forged in the Barrens* launched March 30th and is on track to large growth for net bookings
- Online viewership of the alpha test of *Diablo II: Resurrected* was the highest ever for a Blizzard game test

King: 258M MAU

- **Revenue grew 22% Y/Y driven by growth for *Candy Crush* and advertising net bookings**
- *Candy Crush* remains the top grossing franchise in the U.S. app stores
- *Crash Bandicoot: On The Run* launched March 25th and has seen over 30M downloads to-date

ATVI Q1 Results by Segment				
3 Months Ending March 31st				
<i>In M USD</i>	2021	2020	Y/Y	Y/Y%
Net Revenue				
Activision	891	519	372 ↑	72%
Blizzard	483	452	31 ↑	7%
King	609	498	111 ↑	22%
Total	1,983	1,469	514 ↑	35%
<i>Reconciliation to net revenue by segment</i>	2021	2020	Y/Y	Y/Y%
Segment Net Revenues	1,983	1,469	514 ↑	35%
Revenues from non-reportable segments	108	68	40 ↑	59%
Net effect from recognition (defferral) of deferred net revenues	209	266	-57 ↓	-21%
Elimination of intersegment revenues	(25)	(15)	-10 ↑	67%
Consolidated Net Revenues	2,275	1,788	487 ↑	27%

ATVI Q1 Results by Channel, Platform, and Geographic Region						
3 Months Ending March 31st						
In M USD	2021	%	2020	%	Y/Y	Y/Y%
Net Revenue by Channel						
Digital Online Channels	2,006	88%	1,441	81%	565 ↑	39%
Retail Channels	149	7%	221	12%	-72 ↓	-33%
Other	120	5%	126	7%	-6 ↓	-5%
Total	2,275	100%	1,788	100%	487 ↑	27%
Net Revenue by Platform						
Console	799	35%	594	33%	205 ↑	35%
PC	622	27%	498	28%	124 ↑	25%
Mobile and Ancillary	734	32%	570	32%	164 ↑	29%
Other	120	5%	126	7%	-6 ↓	-5%
Total	2,275	100%	1,788	100%	487 ↑	27%
Net Revenue by Geographic Region						
Americas	1,307	57%	948	53%	359 ↑	38%
EMEA	731	32%	566	32%	165 ↑	29%
Asia Pacific	237	10%	274	15%	-37 ↓	-14%
Total	2,275	100%	1,788	100%	487 ↑	27%

FY21 Outlook

- Revised outlook upward: net revenue increased from \$2B to \$2.2B for Q1, and anticipating net revenue to be \$2.1B for Q2 and \$8.3B for FY21
- Expect to see ongoing momentum in important growth initiatives for *Call of Duty*, *World of Warcraft* and *Candy Crush*

	Q2 2021			2021		
	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²	GAAP	Non-GAAP ¹	Impact of GAAP Deferrals ²
Net Revenues	\$2,135M	\$2,135M	(\$285M)	\$8,370M	\$8,370M	\$230M
Product Costs, Game Ops & Distribution	17%	17%		17%	17%	
Operating Expenses, Incl. SW Amort ³	44%	41%		47%	41%	
Operating Margin⁴	39%	42%	(4 pp)	36%	42%	1 pp
Interest and Other Expense (Income)	\$28M	\$28M		\$120M	\$119M	
Tax Rate	21%	18%		22%	20%	
EPS	\$0.81	\$0.91	(\$0.21)	\$2.91	\$3.42	\$0.28
Fully Diluted Weighted Avg. Shares ⁵	785M	785M		787M	787M	
Net Bookings (Operating Metric)		\$1,850M			\$8,600M	

I have also attached supplementary material and please free to email me with any follow-ups or questions!

Best,
Ria Ghose
she/her
FRP Analyst
Xbox Gaming Studios Finance
Office: 425.722.4787
riaghose@microsoft.com



One Microsoft Way, Redmond, WA 98052 USA

