

# Document Withheld for Privilege

Board of  
Directors



Activision Blizzard

January 16, 2022

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# Agenda

- Transaction status and process update
- Key diligence findings update
- Q4 2021 earnings update
- [REDACTED]
- Communications plan update
- [REDACTED]
- Next steps
- Appendix

## Transaction Status and Process Update

### Transaction status:

- Non-binding Letter of Intent for all-cash transaction at \$95 per share (45% premium to share price as of January 14th), implying Equity Value of \$75.7B and Enterprise Value of \$68.8B
- Executed Exclusivity Agreement on December 20th, with exclusivity through January 17

### Key workstreams on track to be completed by conclusion of exclusivity:

- Targeting completion and signing of definitive agreements by January 17
  - Key terms and conditions consistent with transactions of this nature
  - Closing conditioned on completion of regulatory review and Activision stockholder approval
- Communications plan prepared for announce pre-market open on January 18
- Expect to close the transaction within 18 months, subject to regulatory review

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# Key Diligence Findings Update



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# Q4 2021 Earnings Update

FYE, 12/31 \$B, ex. Per share	Fiscal Year 2021			Guidance		Wall Street	
	Actual	Guidance	Wall Street	\$ Change	% Change	\$ Change	% Change
Revenue	\$8.4	\$8.7	\$8.7	(\$0.3)	(3%)	(\$0.4)	(4%)
Operating Income	\$3.5	\$3.6	\$3.7	(\$0.1)	(2%)	(\$0.1)	(4%)
EPS	\$3.70	\$3.76	\$3.79	(\$0.06)	(2%)	(\$0.09)	(2%)

FYE, 12/31 \$B, ex. Per share	Q4 2021			Guidance		Wall Street	
	Actual	Guidance	Wall Street	\$ Change	% Change	\$ Change	% Change
Revenue	\$2.5	\$2.8	\$2.8	(\$0.3)	(11%)	(\$0.4)	(13%)
Operating Income	\$1.2	\$1.3	\$1.3	(\$0.1)	(9%)	(\$0.2)	(12%)
EPS	\$1.23	\$1.29	\$1.34	(\$0.06)	(5%)	(\$0.11)	(8%)

## Commentary

- Call of Duty underperformance drove overall Q4 miss (delivered ~12M units vs. ~15M expectation)
- Blizzard performance in line with Wall Street expectations
- King exceeded Wall Street expectations with 20% year-over-year growth

Source: Capital IQ, Company filings and information

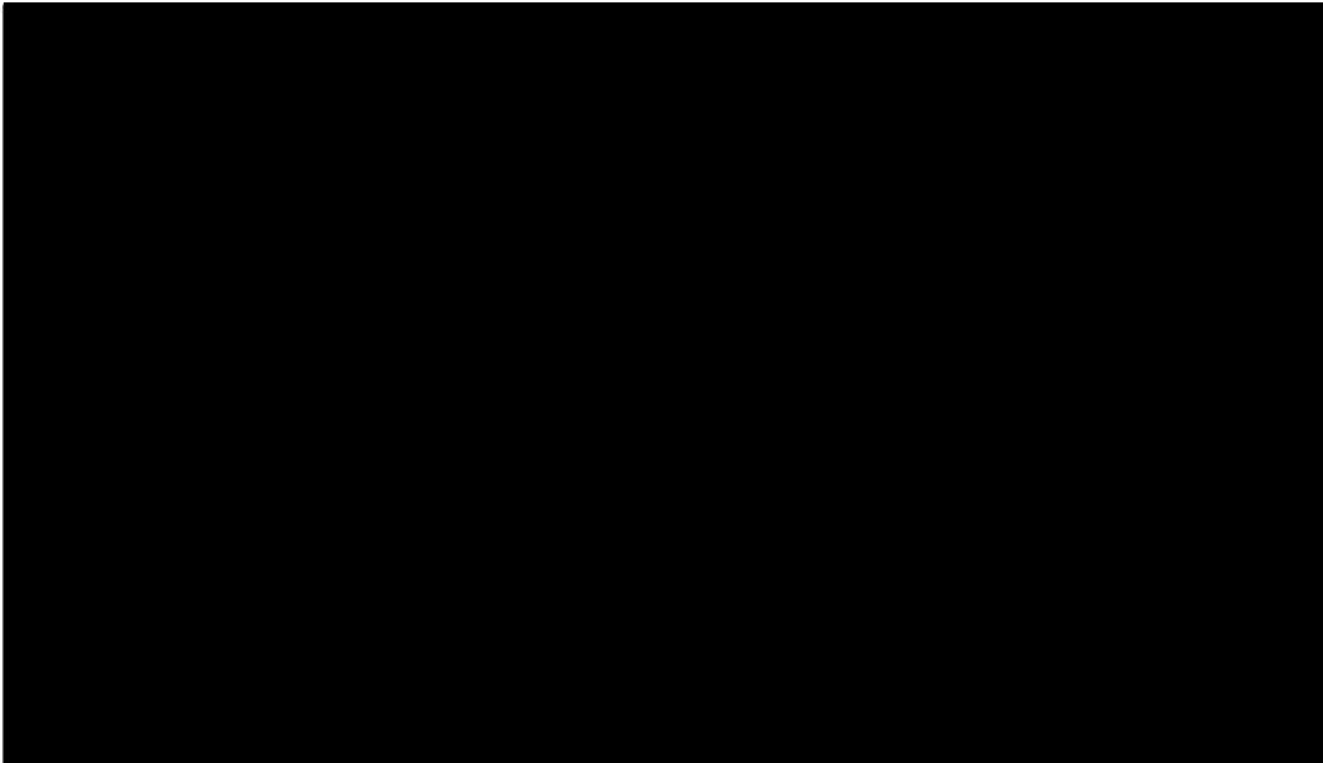
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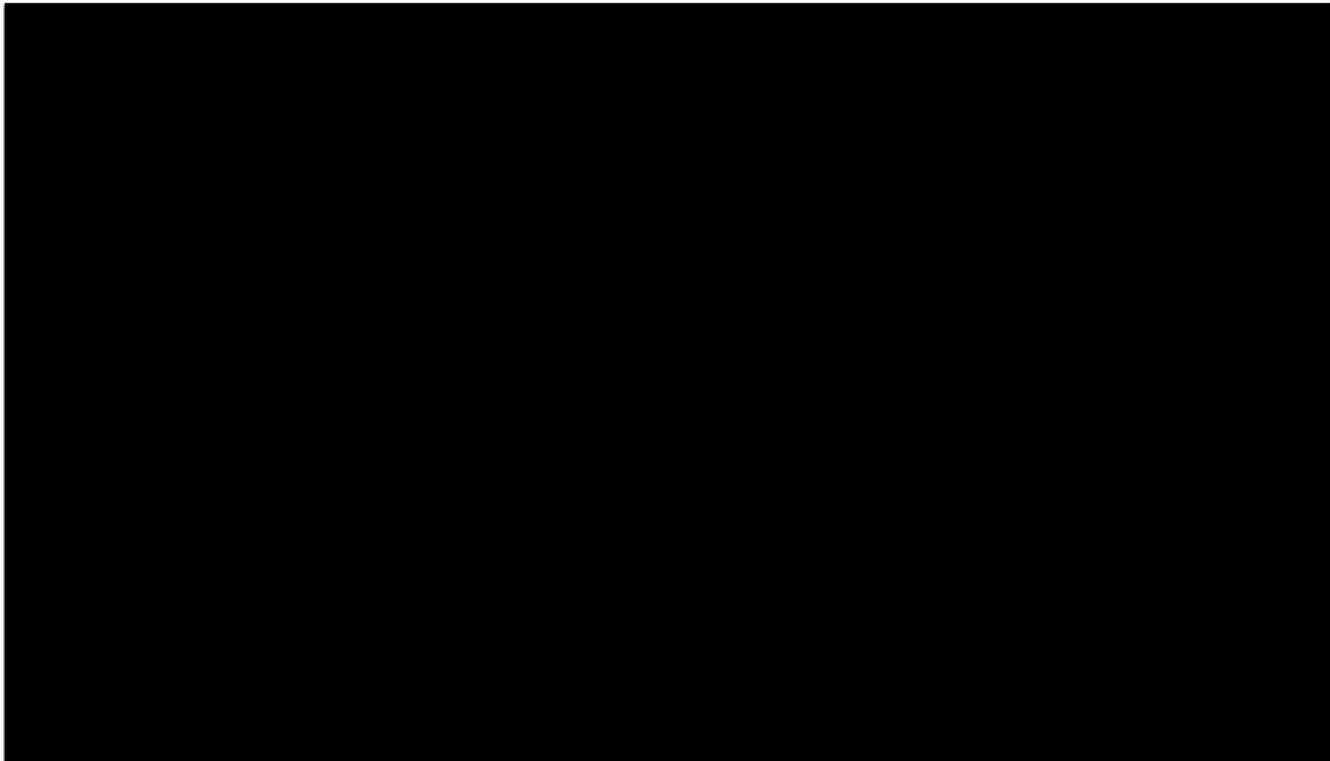
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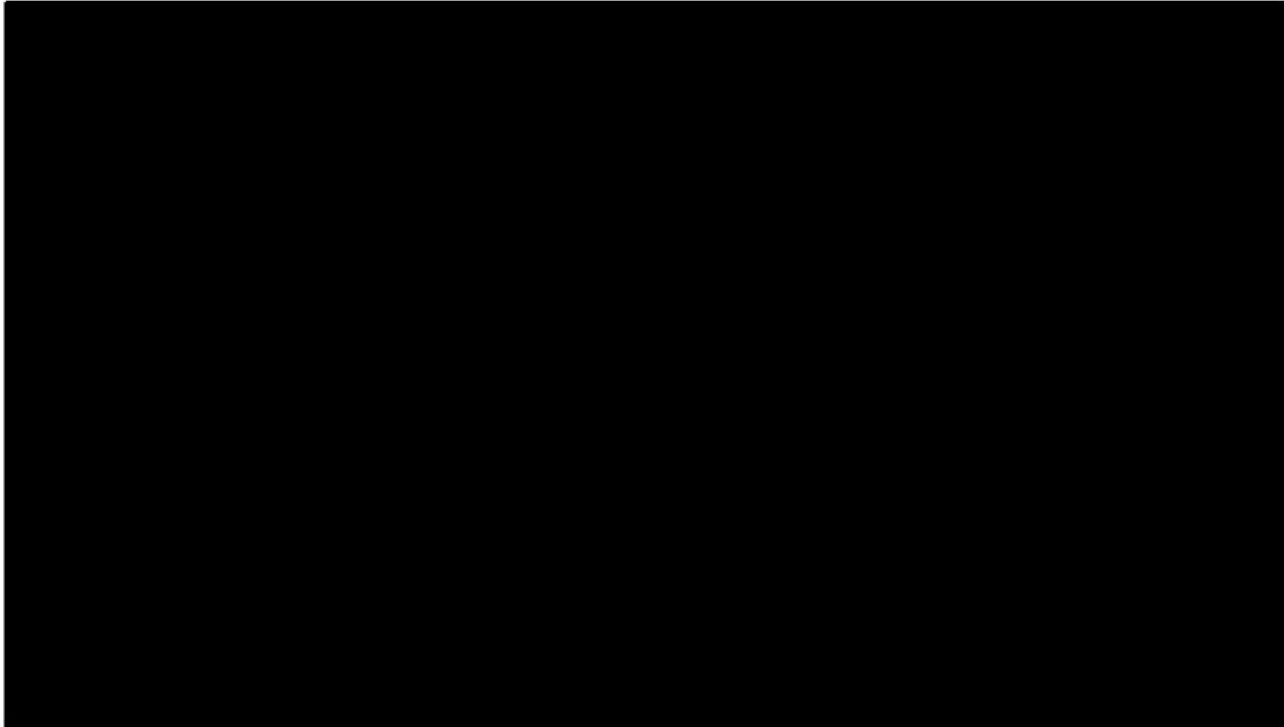
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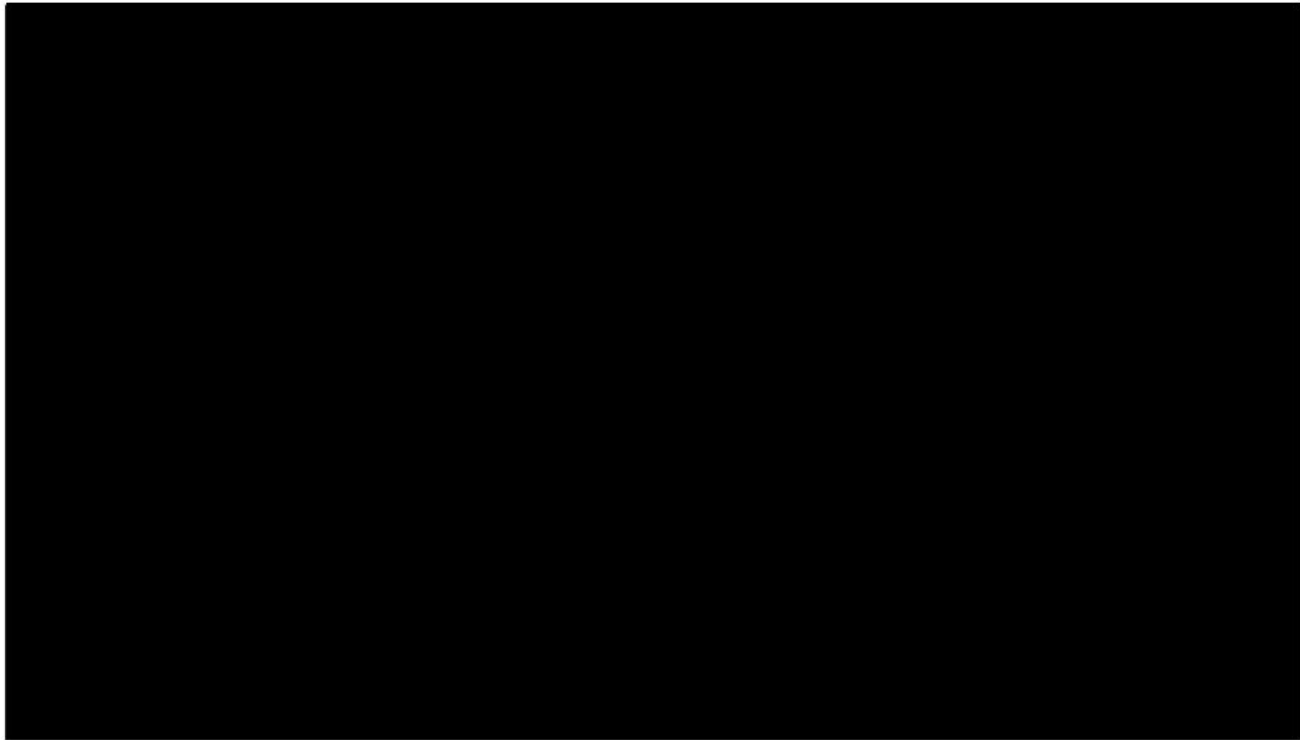






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## Next Steps

- Seeking Board approval to acquire Activision Blizzard for \$95 per share, \$68.8B enterprise value in cash consideration
- Complete negotiation of definitive agreements and sign by January 17
- Announce transaction prior to opening of U.S. markets on January 18
- Expect to close transaction within 18 months, subject to regulatory approval

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# Appendix

# Communications Plan: Timing Detail

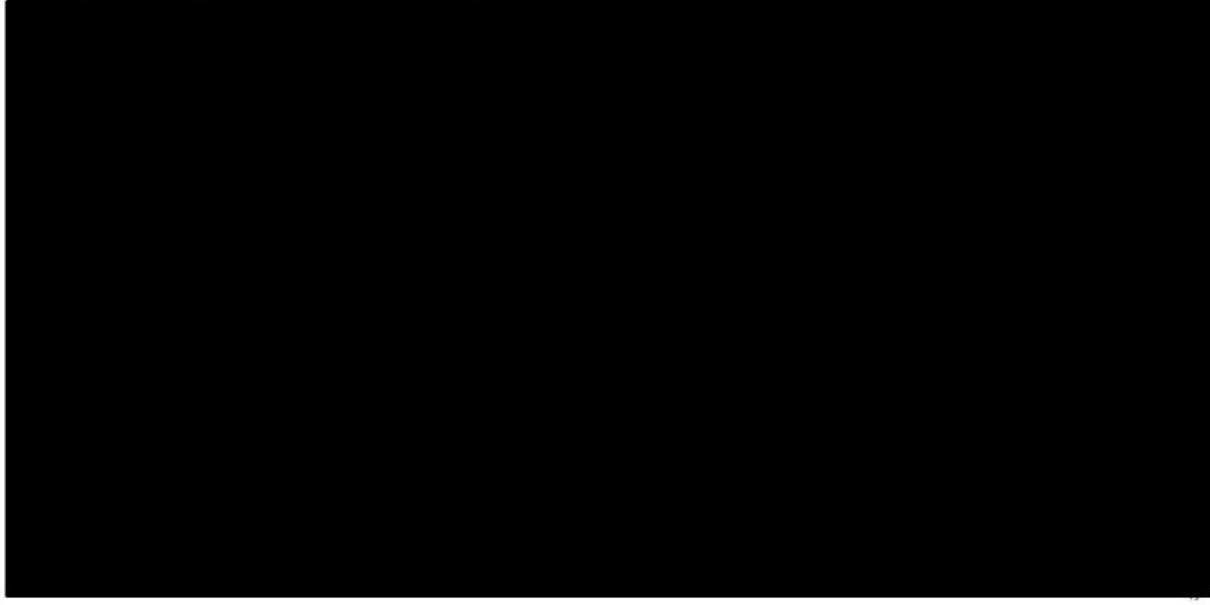
**Announcement - 5:30AMPT:**

- Joint press release – distributed by Microsoft, live on Microsoft & Activision press site
- Employee communications - Satya Nadella & Phil Spencer (Microsoft), Bobby Kotick (Activision)
- Phil blog post
- Key industry partners, 1P studios, key influencers, gaming analysts & content creator outreach
- Social media strategy - Microsoft/Xbox & Activision

**Post-announce: 6:00 – 10:00AMPT:**

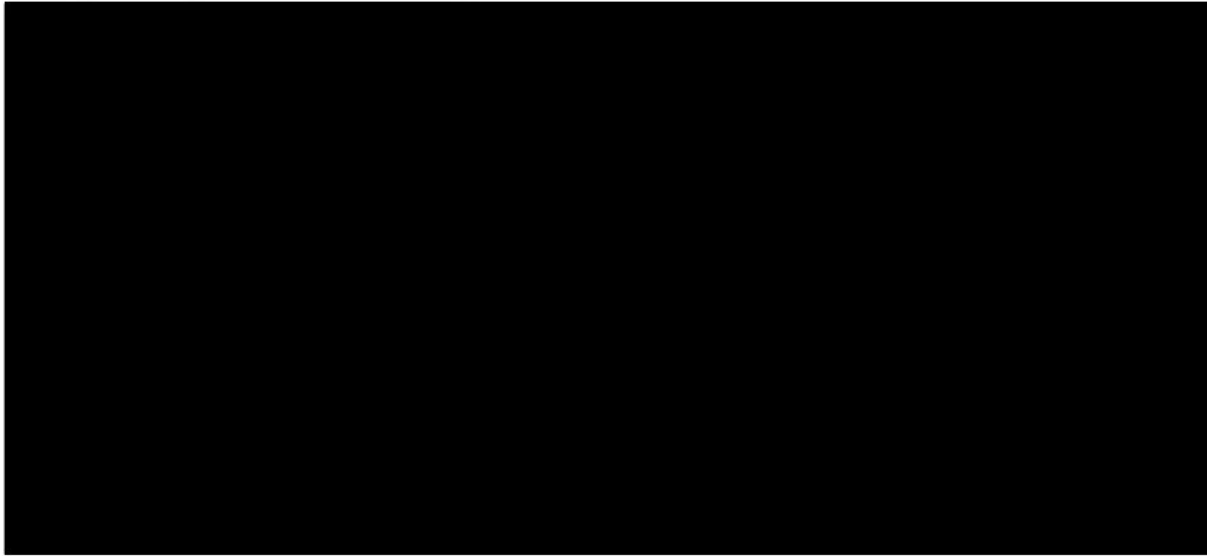
- Investor conference call with Satya/Phil/Amy/Bobby (pre-recorded on 1/17th).
- Fast-follow interviews – Phil Spencer
- Partner communications – Sarah Bond
- E-mail message to Activision employees – Phil Spencer

## Key Diligence Findings (1 of 2)

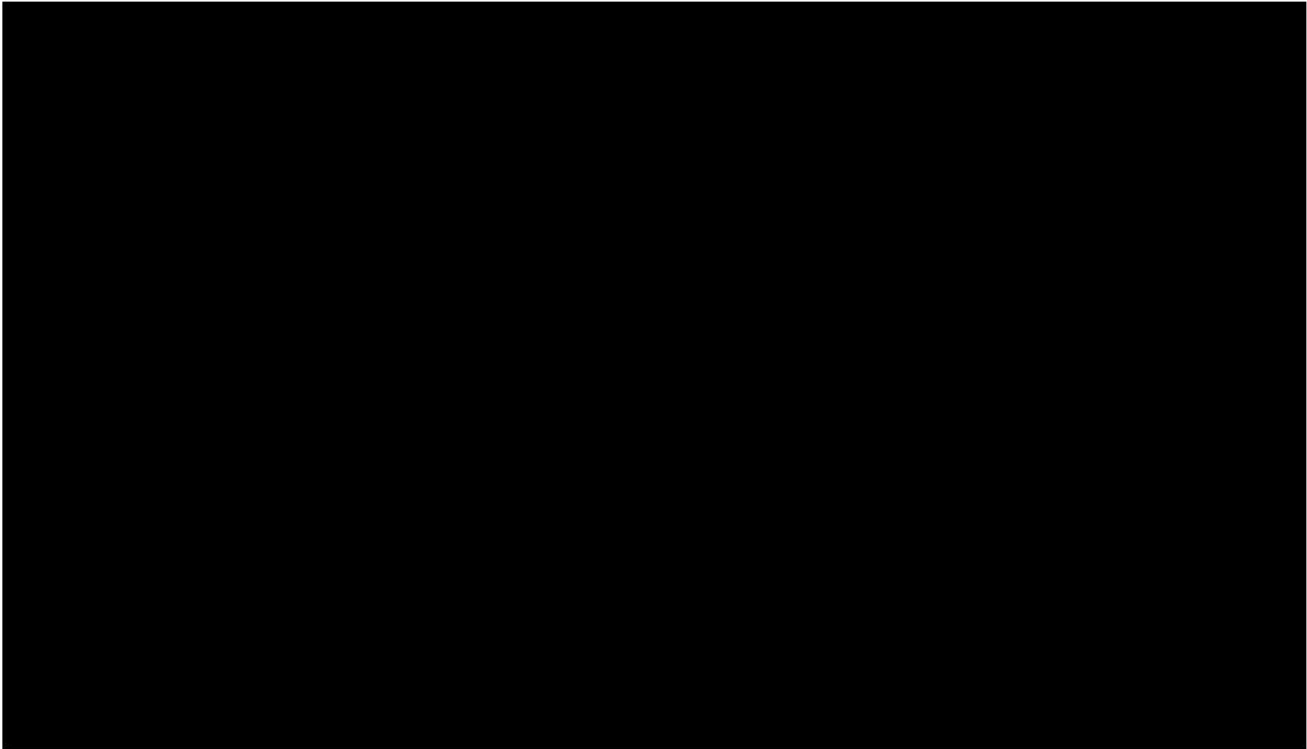


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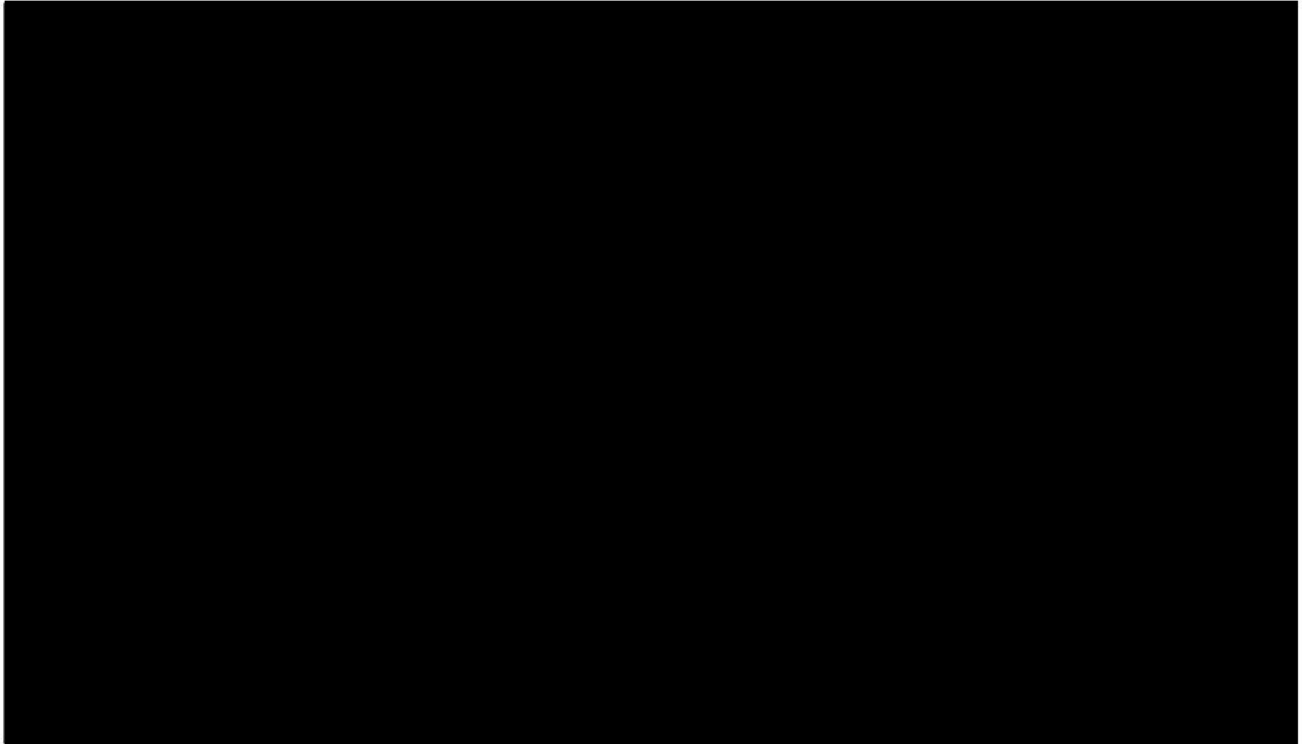
## Key Diligence Findings (2 of 2)



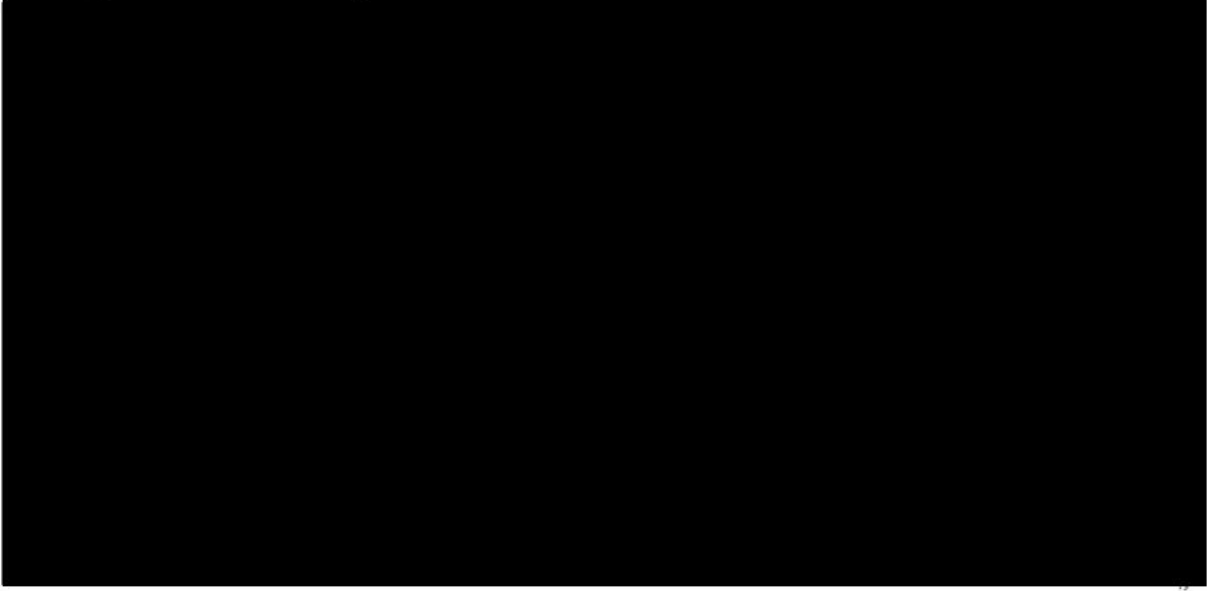




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# Integration Principles



# Activision Blizzard Value Drivers

No change to value driver framework from prior Board review

	Description	
Existing Business	Continued sales of Activision Blizzard's portfolio on all platforms (console, PC, mobile)	
Game Pass	Accelerate Game Pass subscriptions across console and PC	
Universal Store	Extend the Xbox Store from console to build a universal store spanning devices (console, PC & mobile)	
Advertising	Expand the Microsoft Audience Network (MSAN) to PC & mobile games	
Other strategic benefits: (A) Xbox console ecosystem; (B) Azure game industry vertical expansion		

# Value to Microsoft

Drivers	Description	[REDACTED]
<b>Existing Business</b>	Continued sales of Activision Blizzard's portfolio on all platforms (console, PC, mobile)	
<b>GamePass</b>	Accelerate Game Pass subscriptions across console and PC	
<b>Universal Store</b>	<b>PC Store:</b> By building upon Activision Blizzard's Battle.net platform to provide the foundation needed to scale our Xbox Store to PC	
	<b>Mobile Store:</b> By building upon Activision Blizzard's player engagement to provide the foundation needed to scale our Xbox Store to mobile	
<b>Advertising</b>	<b>MSAN:</b> By harnessing Activision Blizzard's data estate, and engagement scale to accelerate Microsoft's advertising network in games	
[REDACTED]	<b>Total Value to Microsoft</b>	[REDACTED]

# Activision Blizzard Overview

## Company Overview

- Developer and publisher of video games on console, PC, and mobile. Operates through Activision Publishing, Blizzard Entertainment and King Digital Entertainment segments
- **Headquarters:** Santa Monica, CA
- **Employees:** ~9,900
- **Users:** 390M MAU as of 9/30/21 (119M Activision, 26M Blizzard, 245M King)
- **Revenue breakdown (FY20A):** Americas (55%), EMEA (33%), Asia Pacific (12%); console (34%), PC (25%), mobile (32%), other (8%)
- **Founded:** 1979, IPO in 1993 (NASDAQ: ATVI)
- **Ownership:** 8% Vanguard, 7% BlackRock, 7% Capital Research and Management, 5% The Public Investment Fund of the Kingdom of Saudi Arabia
- **Latest Acquisitions:** Digital Legends (mobile game developer; Oct '21), Omniata (customer analytics and marketing automation; Jan '18), Major League Gaming (E-sports and game tournaments; Jan '16 for \$46M), King Digital Entertainment (online and mobile games; Nov '15 for \$5.0B)

## Analyst Summary (based on 29 analysts)

- **Mean / Median:** \$92.69 / \$94.00
- **Range:** \$54.00 – \$125.00
- **Recommendations:** 79% Buy / 17% Hold / 3% Sell

## Public Market Overview

Trading Value			
(\$B, except per share value)			
Stock Price (01/14/22)			\$65.39
Equity Value			\$52.0
Plus: Debt			3.7
Less: Cash			10.6
Enterprise Value			\$45.0
Trading Multiples			
	CY2021E	CY2022E	CY2023E
EV/Revenue	5.1x	4.9x	4.3x
EV/EBITDA (incl. SBC)	13.8x	12.9x	10.9x




## Last Twelve Months Stock Performance



Source: Company filings, Company website, Thomson Capital IQ  
 Note: Financials based on consensus estimates. Revenues in GAAP figures. EBITDA excludes non-recurring items. Cash excludes PlayStation stake, which consists of 12.7M shares valued at \$4.46 per share.

# Activision Blizzard Segment Overview

Activision Blizzard brings world class content across console, PC, and mobile

Reporting Segments	Recent Performance <sup>1</sup>	Key Assets
 <b>#1 console publisher</b>	Revenue: \$3.5 billion Op Income: \$1.7 billion Users: 119 million (MAU)	Call of Duty: #1 Console franchise since 2005 by revenue Call of Duty Mobile: Top-15 core Mobile franchise by revenue Call of Duty Warzone: 100+ million downloads Crash Bandicoot   Guitar Hero   Spyro: Deep back catalog
 <b>#3 PC publisher</b>	Revenue: \$1.8 billion Op Income: \$0.7 billion Users: 26 million (MAU)	Diablo   Hearthstone   Overwatch   StarCraft   World of Warcraft: \$1+ billion lifetime revenue each Battle.net: Full-featured PC store
 <b>#2 mobile publisher<sup>2</sup></b>	Revenue: \$2.6 billion Op Income: \$1.1 billion Users: 245 million (MAU)	Candy Crush: #2 social-casual Mobile franchise by revenue

Source: Activision Blizzard, App Annie, Microsoft analysis.  
<sup>1</sup> Revenue and Op Income are trailing four quarters as of 12/31/21. Users reflects monthly active users (MAU) as of November 2021.  
<sup>2</sup> Reflects overall company ranking.

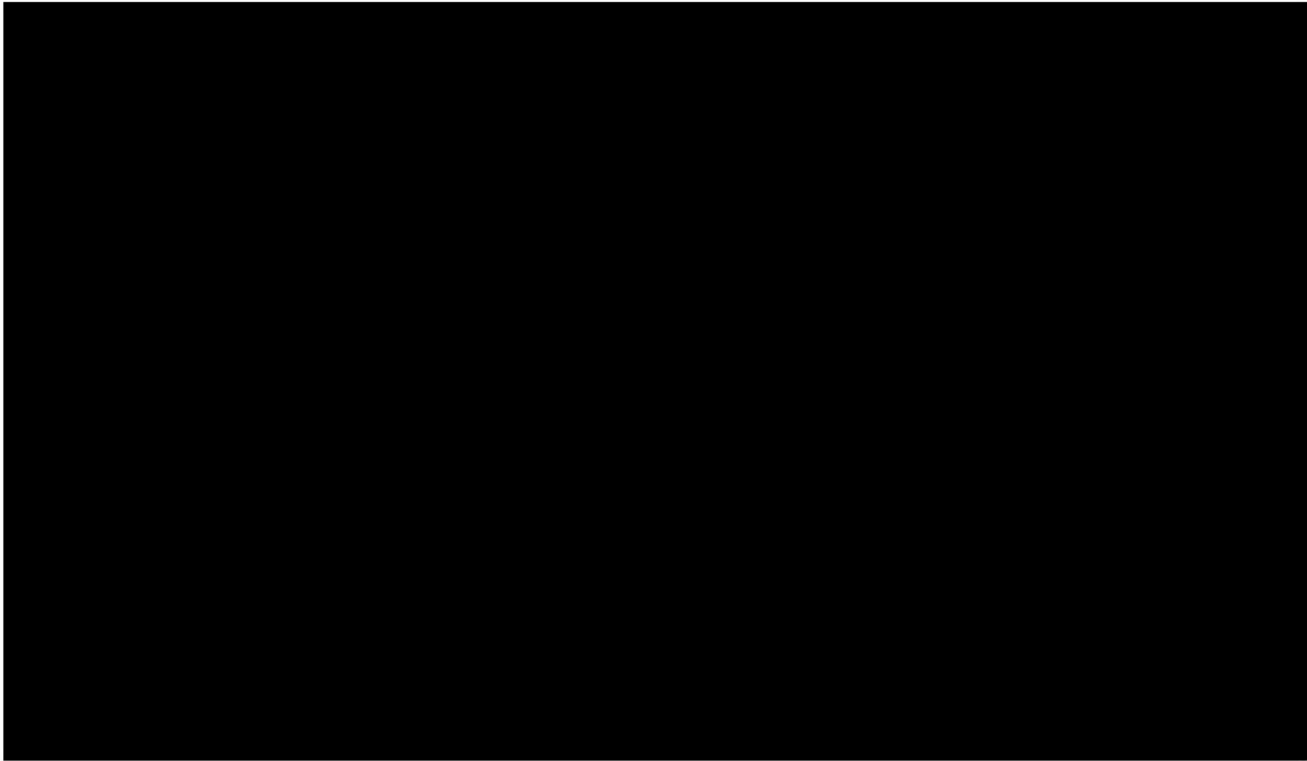
# Comparable Valuation Metrics

\$B, except per share	Activision			TTWO/Zynga	EA	Take-Two
	Current	Deal Price	Deal Price	Deal Price	Current	Current
Share Price	Wall Street	Wall Street	Management	Wall Street	Wall Street	Wall Street
Price	\$65.39	\$95.00	\$95.00	\$9.86	\$130.44	\$152.58
Premium to Current	-	45%	45%	64%	-	-
Premium to 52-week High	(37%)	(8%)	(8%)	(20%)	(13%)	(29%)
Equity Value	\$52.0	\$75.7	\$75.7	\$12.9	\$38.2	\$17.6
Enterprise Value	\$45.0	\$68.8	\$68.8	\$12.7	\$38.1	\$15.3
<b>Enterprise Value Multiples</b>						
CY2021 Revenue	5.1x	7.8x	8.2x	4.6x	5.2x	4.6x
CY2022 Revenue	4.9x	7.5x	8.0x	4.1x	4.8x	3.7x
CY2023 Revenue	4.3x	6.6x	6.5x	3.7x	4.3x	3.2x
CY2021 Adj. EBITDA	12.0x	18.4x	18.9x	19.4x	13.7x	19.5x
CY2022 Adj. EBITDA	11.5x	17.5x	18.9x	17.0x	12.8x	14.8x
CY2023 Adj. EBITDA	10.0x	15.2x	15.5x	15.0x	10.2x	15.2x

Source: Company filings, Company website, Thomson Capital IQ  
 Note: Wall Street Revenue and EBITDA estimates are non-GAAP figures. Activision enterprise value excludes PlayStudios stake which consists of 12.7M shares valued at \$4.46 per share.

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# Leadership Team and Board of Directors

Management Team			
Name	Title	Joined	Experience
Bobby Kotick	CEO	1991	Chairman and CEO of Activision; Director at The Coca-Cola Company, Los Angeles County Museum of Art
Daniel Alegre	President and COO	2020	President of Global Retail and Shopping at Google, VP at Bantelmann Media
Armin Zerza	CFO	2015	Chief Commercial Officer at Activision Blizzard, several CFO roles at Procter & Gamble
Sandeep Dube	Chief Commercial Officer	2021	SVP of Pricing and Revenue Management at Delta Air Lines
Fernando Machado	CMO	2021	CMO at Restaurant Brands International, several roles at Unilever
Helaine Klasky	Chief Communications Officer	2020	Chief Communications Officer at SoundExchange, GE Energy Management, and Yale University
Julie Hodges	Chief People Officer	2021	Human Resources executive at The Walt Disney Company
Grant Dixton	Chief Legal Officer	2021	SVP, General Counsel and Corporate Secretary at the Boeing Company
Brian Bulatao	Chief Administrative Officer	2021	Under Secretary of State for Management, COO at the CIA, Airborne Infantry Officer
Frances F. Townsend	EVP of Corporate Affairs	2021	Vice Chairman, General Counsel and Chief Administrative Officer at MacAndrews & Forbes, Corporate Partner at Baker Botts
Rob Kostich	President, Activision	2004	General Manager and EVP of Call of Duty Franchise at Activision, several leadership and marketing roles at Vensign, Nestle
Mike Ybarra	Leader, Blizzard	2019	EVP and General Manager of Platform and Technology at Blizzard, CVP of Xbox Live, Xbox Game Pass, Mixer at Microsoft
Humam Sakhini	President, King	2009	CFO and Chief Strategy Officer at King, Partner at McKinsey & Company
Board of Directors			
Name	Title	Joined	Experience
Brian Kelly	Chairman of the Board	1995	Co-Founder of Call of Duty Endowment; Founder and Chairman of the Juvenile Diabetes Cure Alliance
Bobby Kotick	Director, CEO	1991	Chairman and CEO of Activision; Director at The Coca-Cola Company, Los Angeles County Museum of Art
Revetta Bowers	Director	2018	Administrator at The Center for Early Education; Director at the L.A. Philharmonic, Director at The Walt Disney Company
Robert Corti	Director	2003	EVP and CFO at Avon Products, Director at Bacardi, Avon Products Foundation, ING Direct
Hendrik Hartong III	Director	2015	Chairman and CEO of Brynwood Partners, President and CEO of Lincoln Snacks, Chairman at Harvest Hill Beverage and Hometown Food
Barry Meyer	Director	2014	CEO and Chairman at Warner Brothers Entertainment; Director at USC School of Cinematic Arts, Federal Reserve Bank of San Francisco
Robert Morigado	Lead Independent Director	1997	Chairman and CEO at Warner Music Group; Director at Maui Arts & Culture Center, Chairman at Marley Media Group
Peter Nolan	Director	2013	Managing Partner and Senior Advisor at Leonard Green & Partners; Director at AerSale Holdings, Diamond Wipes International
John ...	Director	2020	Chief Content and Advertising Business Officer at Spotify; Co-founder at Conde Nast Entertainment

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