ACTIVISION BLIZZARD ANNOUNCES STRONG FIRST- QUARTER 2020 FINANCIAL RESULTS

SANTA MONICA, Calif.--(BUSINESS WIRE)--May 5, 2020-- Activision Blizzard, Inc. (Nasdaq: ATVI) today announced first-quarter 2020 results.

“Our goal to connect the world through epic entertainment is more important to our players than ever before,” said Bobby Kotick, Chief Executive Officer of Activision Blizzard. “We delivered strong financial results for the first quarter, and are raising our full year outlook. I have been awestruck by the strength of our employees and their families during this difficult time. Whether managing healthcare or childcare, performing public service or community service, our teams around the world have shown ingenuity and resilience. In the face of so many difficulties, our employees have made certain that the joy, the engagement, and the benefits of gaming remain an effective way to help keep our 400 million players around the world connected and safe.”

COVID-19 Response

At Activision Blizzard, our number one priority is the health and safety of our employees and their families. All of our offices moved to work-from-home environments by mid-March. We are covering all costs of testing and treatment for affected employees and their families, and we have increased access to tele-health resources and contracted private doctors and medical support in regions where our employees live and work. And we are continuing to find other ways to support our employees and their families as we navigate through this unprecedented situation, including services to help families balance work and home life.

The digital nature of our content means our creative talent can continue to work on our product pipeline from home. While the shift to remote working adds complexity and challenges in some areas of the game development process, we are implementing mitigation measures to address these areas and, based on the work to date, we still expect to deliver a robust slate of content over the remainder of the year.

We have leveraged our game platforms to disseminate critical health and safety information while offering in-game events and rewards to promote social distancing. We have made donations to world class health organizations and medical centers in cities where our employees live and work, funding promising convalescent blood therapies and drug trials. And we have made an additional contribution to our own Call of Duty Endowment to continue placing veterans into high-quality jobs.

The increasingly digital, recurring and cash-generative nature of our operations remains one of our fundamental strengths. With a strong balance sheet, low capital intensity and a track record of disciplined capital allocation, we have substantial flexibility as we navigate through an uncertain environment.

Selected Business Highlights

Activision Blizzard exceeded its first-quarter outlook, driven primarily by our investment in creative and commercial initiatives for Call of Duty® delivering better-than-expected results throughout the quarter. We also saw continued momentum for World of Warcraft® and better- than-expected results for other key franchises, as populations sheltering at home turned to our content for entertainment and social connection. These trends have continued so far in the second quarter, with business momentum accelerating further in April. In the current environment, we are fortunate to still be in a position to enable some of the world’s best gaming experiences through our direct digital connection to hundreds of millions of people.

Activision

Activision had 102 million MAUsD in the first quarter.  
Call of Duty: Warzone launched on March 10, 2020 and has reached over 60 million players to date.

Life-to-date, Modern Warfare has sold through more units and has more players than any prior Call of Duty title at this point after its release.

In the first quarter, Call of Duty: Modern Warfare®unit sell-through was the highest for the franchise outside of a launch quarter. Following substantial year-over-year growth versus the prior title in January and February, unit sell-through accelerated in March, driven by upgrades from Warzone as well as rising demand amidst shelter-at-home conditions.

Also in the first quarter, Modern Warfare in-game net bookingsC more than doubled year-over-year versus Black Ops 4.

Call of Duty Mobile continued to build on last October’s breakout launch with new content, features and events aimed at optimizing engagement, retention and player investment. The game saw increased reach and engagement in March, driven by an increased cadence of compelling content and events as well as shelter-at-home tailwinds.

Originally planned in a local city-based homestand format, the inaugural season of the professional Call of Duty LeagueTM pivoted all matches to online play and remote production for the remainder of the regular season, to keep players and fans safe while still delivering premium esports content to a global audience.

Blizzard

Blizzard had 32 million MAUsD in the first quarter.

After doubling in the second half of 2019, World of Warcraft’s active player community1 increased further in the first quarter, driven by both new and returning players, as the team continued to deliver more content between expansions than ever before.

Each of Blizzard’s key franchises experienced a month-on-month increase in MAUsD in March as a result of shelter-at-home tailwinds.

Hearthstone® engagement improved sequentially, driven by the new Battlegrounds game mode launched in November, and strong execution in live operations.

Overwatch®engagement increased meaningfully in March and the Overwatch LeagueTM successfully moved to online play and remote production during the quarter.

King

King had 273 million MAUsD in the first quarter.

MAUsD grew month-over-month in both January and February, and further accelerated in March as shelter-at-home conditions came into effect.

Candy CrushTM franchise MAUsD grew year-over-year in each month of the quarter, with double-digit growth in March. Within the franchise, the community played more game rounds than in any quarter since Activision Blizzard’s acquisition of King.

Candy Crush SagaTM and the wider Candy Crush franchise were once again the top-grossing title and franchise in the U.S. mobile app

Advertising net bookingsB grew over 75% year-over-year, even against the backdrop of the sudden decline in demand across the digital advertising sector in March.

Company Outlook

Our business exhibited accelerating momentum entering the second quarter from the dual tailwinds of strong execution in the Call of Duty franchise following last year’s increased investment, and increased engagement as people turned to our interactive content as they sheltered at home. The full extent of the impact of the COVID-19 pandemic on our business, operations, and financial results will depend on numerous evolving factors that we are not able to fully predict at this time. While there are risks related to global economic weakness, rising unemployment, pressures on the retail channel, pricing and other potential factors, we also see many positive opportunities for our operating performance this year, including the potential for continued heightened engagement in our content well beyond the second quarter. We have aimed to be prudent in our guidance to account for these effects, and we believe there is potential for overperformance if these risks do not materialize.

Regarding product development, the majority of our employees are currently working from home, which while adding complexity to some areas of the game development process, has not currently changed our plans for our key content releases this year.

Since we provided our initial guidance in February, the strengthening dollar has resulted in an additional FX headwind to full year net bookings of approximately $100 million. Further, the strengthening dollar and lower interest income from the current interest rate environment represent an additional headwind to full-year GAAP and non-GAAP EPS of approximately $0.08 versus our prior outlook. Nonetheless, with strong momentum across the business we are raising our outlook for net revenues and EPS for the year, more than passing through the Q1 earnings outperformance despite these headwinds.