



ANALYST QUICK NOTES

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Activision Blizzard Inc. (NGS: ATVI: BUY)

Target Price: \$53

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Overview

- ATVI shares spiked 19% after the company reported fourth-quarter and year-end results, and raised its dividend by 15%.
- Activision beat its 4Q16 GAAP revenue guidance by \$158 million and its GAAP EPS forecast by \$0.29.

Key Issues

- While Activision will have a lighter release schedule in 2017, it will still have two major releases in “Destiny 2” and “Call of Duty” as well as continuing releases of downloadable content on hit games from 2016 and 2015.
 - “Call of Duty” is the perennial number one selling videogame in North America.
- We think Activision filled a significant strategic hole in its line-up with the 2016 acquisition of King Digital Entertainment, the creator of the “Candy Crush” mobile puzzle game, one of the most-popular mobile games of all time.
- Activision sees opportunities to expand its addressable market in areas adjacent to pure game play including:
 - e-sports tournament game play/broadcasting;
 - advertising – particularly into King Digital’s mobile games formats;
 - consumer products based on the company’s intellectual property (“Skylanders”).

Conclusion

- We have raised our target price on Activision Blizzard to \$53, implying 18% upside over the next year.
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