



The Economic Club of New York

113th Year
549th Meeting

Bobby Kotick
Chief Executive Officer
Activision Blizzard

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Webinar

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Introduction

Hello. This is Barbara Van Allen, President of The Economic Club. Thank you so much for joining us this afternoon, and we're going to get started in exactly one minute. Thank you.

Chairman John C. Williams: Well, good afternoon, and welcome to the 549th meeting of The Economic Club of New York in our 113th year. I'm John Williams. I'm Chairman of The Economic Club of New York and President and CEO of the Federal Reserve Bank of New York. The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues. This mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. And we proudly stand with all communities seeking inclusion and mutual understanding.

A special welcome to guests of our members, members of The Economic Clubs of Chicago and Washington, DC who we've also invited to join the webinar today. In addition, we're happy to welcome members of The Economic Club of New York's 2020 Class of Fellows. Before we begin, we'd like to thank our healthcare workers and our frontline workers for all that they do, particularly during these challenging times, to keep us healthy and safe.

So it's an honor for me to introduce our guest today, Bobby Kotick, Chief Executive Officer of Activision Blizzard. Over the course of nearly 30 years under his leadership, Activision Blizzard has grown to become the world's most successful interactive entertainment company. The company has over 400 million players in 196 countries and some of the most iconic entertainment franchises, including Call of Duty, Candy Crush, Guitar Hero, Overwatch, and World of Warcraft. Activision Blizzard is a member of the S&P 500, the Fortune 500, and is one of Fortune's Most Admired Companies.

Bobby serves on the boards of The Coca-Cola Company, the Los Angeles County Museum of Art, the Center for Early Education and Harvard Westlake School.

Additionally, he's the founder and co-chairman of the Call of Duty Endowment, a non-profit that has helped 60,000 veterans find high-quality careers.

The format today is a conversation, which we're fortunate to have Economic Club of New York Trustee and anchor for CNBC's Squawk Box, and On the Money, Becky Quick doing the honors. Now we'll end promptly at 2:45 and any questions that were sent to the Club from members in advance have been shared with Becky. As a reminder, this conversation is on the record as we do have media on the line.

Conversation with Bobby Kotick

BECKY QUICK: John, thank you very much. Welcome everybody. And Bobby, thank you so much for being here with us. John did an incredible job of kind of laying out a little bit of your purview and what you've done, but I think today I'd like to start with the focus on what it's like to be running a company during coronavirus, what you're doing in terms of trying to reach out to your customers and how things have changed in dealing with your employees too. You've got 10,000 employees on top of the 400 million people who are playing your games right now. And I just wonder if you can kind of walk us back through to the beginning of this year when you first started noticing the problem of Covid-19 and what you did to swing into action.

BOBBY KOTICK: Well, thank you first for having me today, and Becky, thank you for taking the time to do this today. We found in January in our offices in China, in Shanghai and other cities in China, that the Chinese government was deeply concerned about what was happening with Covid. We closed our offices and along with our partners, companies like Tencent and NetEase, we started to look at what were the things that we would need to be doing to bring people back to work in China, how would we make sure that our employees in China were going to have the best healthcare and be safe. But we then quickly realized that this would be repeated in every city around the world that we operate.

So we moved very quickly to close our offices everywhere else in the world. And then what we started to do was look at healthcare protocols. And we had the unfortunate circumstance of a former board member who became very ill the first week of March, was put on a ventilator very quickly, was getting what you would think was very good healthcare here in Los Angeles and realized that there weren't adequate protocols for how to treat this disease. And we were so concerned about our employees that we decided we would actually take a very proactive approach to looking at the healthcare protocols, both in the communities that we operate but also across the world and really see what we could do to quickly intervene.

And there's a reason that we do this. One of the hallmarks of differentiation that we have as a company, you know many companies offer great financial benefits, lots of companies offer, you know, free food in the cafeteria. We thought that one of the big points of differentiation for the type of talent that we want to attract is having the world's best healthcare for our employees and their families, and so we've always made that a priority for the company. And when this happened, what we realized is that in order to provide that level of healthcare and support for our employees and their families, we would actually have to start doing some real work.

So we started funding work into treatment and care and things like programs that were

supporting convalescent blood transfusion. We have a trial that we're funding at UCLA on a Japanese antiviral drug. We have programs that we've been putting in place to use some early treatments for healthcare workers before they're actually ill and then new kinds of outpatient programs. All were things that we realized just didn't exist anywhere in the world in ways to think about treating people differently.

BECKY QUICK: That is so far a field from what I think of as being your expertise and what you all do at your company. You're an entertainment company. You're a gaming company. You're somebody who is creating new worlds and thinking creatively. How did you even know where to begin? And how to do things that I think are pretty cutting edge that a lot of the healthcare systems here haven't even figured out yet, let alone an entertainment company?

BOBBY KOTICK: Well, I was fortunate, I have a girlfriend who is pathologist. That helped. But I think we sought out all the great institutions of medicine and tried to really understand what needed to be done, what needed to be funded. And I think, you know, early on what we realized is that there was a lot of confusion about how you treat this disease, you know, at what points do you treat the disease. You know, today, where a lot of the investment and focus has gone is not just in research on treatment protocols but in improved testing. So, you know, we're running tests. We've tested over 1,500 of our employees already in the U.S. And these were complicated things for anyone to

figure out and so we felt like there was an opportunity to invest in new testing protocols.

So, for example, the nasal pharyngeal swab is so uncomfortable that people didn't want to actually do it. So we had to go get e-waives(?) from the FDA for saliva testing that was PCR-based so you still get the accuracy of a PCR device but you could do it through saliva. We then had to develop an app for employees who were essential workers who had to go back to work if they chose to where we would be able to keep track of their symptoms for them. And each day they would do a symptom checker. Anything that was alarming, it would either connect them to a tele-medical appointment, so we have telemedicine providers from companies like Heal and Doctors Direct, or it would give you an electronic certificate that would actually allow you to go on premise.

But we required two negative tests that week prior to allowing anybody back into the office and these are very small percentages of our work population. So we were inventing technology to do contact tracing, to do the control of symptoms, and then to make sure that people were getting adequate access to medical care.

BECKY QUICK: How many, what percentage of your employee population is back at work right now in the office?

BOBBY KOTICK: So Shanghai is largely back to work and we've had, for now at least a

month, no reported cases. You know surprisingly across the world we've had a very small number of cases, I think in part because we moved quickly to close the offices, in part because the average age of our employees is 29. And I think we have really, we did a very good job early on of communicating the importance of wearing masks, of washing, of keeping the right protocols. And then we had to do the more complicated kinds of things, making sure that in countries where there's national healthcare, the national healthcare systems weren't set up to really accommodate the influx of patients so we hired private doctors in almost every country that we operate to supplement what was available in the national healthcare system.

BECKY QUICK: Wow! You know, Bobby, the average age of your employees being just 29 years old, that's what I would anticipate. I would imagine a very young workforce that you're dealing with. And as a result, it's almost surprising that you're so involved on this and so deeply into the science because I would think it wouldn't be as big of a concern for employees who are young like that. But you did do some really interesting things. Was it your email or your cell phone number that you gave out to all 10,000 employees and said call me if you have any problems?

BOBBY KOTICK: Both.

BECKY QUICK: How many calls have you gotten?

BOBBY KOTICK: A few hundred. But, you know, the emails are regular. I get emails every day. And, you know, we've had to do, partly why this has been important for us is that we don't just care for our employees, we actually care for their families. So we're tracking and monitoring and managing healthcare for the parents of a lot of our employees. And so, you know, it's a part of what we do to really make sure that our employees and their families are safe.

BECKY QUICK: I know you've been involved with some of the research that's being done in Albany right now. How did you get involved in that and what is that research?

BOBBY KOTICK: So we have a studio in Albany, New York and we had a young employee who was positive early, symptomatic, went to Albany Medical Center and they are so progressive. It's run by a former veteran named Dennis McKenna who is the CEO and he is just an incredibly thoughtful, progressive, very aggressive in really wanting to be out in front in treating the disease. So they've had a number of interesting protocols in place. They were one of the first that we saw to effectively use convalescent blood transfusion. And they were doing that on an inpatient basis but I think that we will see them start rolling that out on an outpatient basis.

They were very early on in the use of IL-6, interferon treatment. They moved very quickly to have a large supply of ventilators because they were anticipating overflow

from Manhattan hospitals. And extraordinarily compassionate staff, I mean truly incredible staff. And they were very quick on things that were just purely operational as compared to other institutions that we've seen. So they had N-95 masks on the respiratory therapists very early, where a lot of other hospitals didn't recognize that the respiratory therapists who operate the ventilators could be in very short supply.

I have to say, Senator Schumer and I were on the phone and I was talking to him about this and the next thing I know Albany Medical Center had tens of millions of dollars of additional support which they very well deserved. But it was, they are on the forefront of a lot of the treatment opportunities.

BECKY QUICK: Of all of the treatments that you've been involved with, that you've seen, that you're kind of watching the research, what gives you the most hope, the most optimism?

BOBBY KOTICK: Well, it's a complicated question. So, on vaccines, you know, I think today Astra Zeneca's results were promising, you know I think Regeneron, what they're doing with messenger RNA and synthetic antibodies. For the near term I do have a lot of confidence that we're going to see convalescent blood transfusions used more widely. I think remdesivir probably in more early onset, high risk patients will be more effective. It's in short supply but I think it's been shown effective.

There isn't enough work on the antiviral front, from my perspective. But I think that on the vaccine front there's more effort and energy and focus from more high-quality firms than I think that we've seen for any other disease ever. And the speed with which a lot of the big pharma companies are working is at a rate that I don't think we've seen ever either. But it's still a live virus and so the testing that will be required and the approvals that will be required in order to ensure that it's safe, I think, will take some time.

BECKY QUICK: Bobby, you mentioned that in Shanghai your workforce is almost 100% back in the office and I think everyone's been looking to what happens in China as to what we can potentially expect to happen around the globe. We watched the virus roll out starting there, moving across Europe, and then coming here to the United States. But every one of these countries has had a different reaction, different populations of people take different precautions on moving through. And I just wonder if you could give us some insight as to what you see in Europe happening right now and if you think that we can anticipate that that will be coming to the United States in the same sort of order that the virus moved across the globe?

BOBBY KOTICK: I think what you could draw from the experience in China, you know, I think in a country like China where you can have rigid enforcement of rules, when people are required to stay at home, they stay at home. And so I think that helped a great deal. People are very diligent about mask wearing, about hand washing. And then

we've seen, and we've actually been using a lot of really innovative ideas that have come out of China, so in six of our offices now we have these UV chambers where we actually can irradiate through UV, meals that can get delivered. We can do furniture. We can do outerwear so, you know, backpacks. And these are these huge UV booths that have been used very effectively in China and so we brought them here early.

Now, we're not using them in any volumes today, but as we go back to work, let's say towards the end of the year, we'll start to use these kinds of things which are important safety measures. But I think that what we've seen in China in the offices, they've moved very quickly to implement all the safety devices, safety systems, safety protocols that we'll see probably across the rest of the world.

BECKY QUICK: What makes you think the end of the year is a good time to be coming back? Because I mean you seem to know more than a lot of people do. What has you kind of targeting that time frame?

BOBBY KOTICK: Well, I guess I'm traveling hopefully that you're going to continue to see progress on the things that we talked about and hopefully we'll have more widespread availability of vaccines. I think if you don't have widespread availability of vaccines by the end of the year, or more available by the end of the year, then it's probably unlikely.

BECKY QUICK: All right, let's talk about your customers and how Activision Blizzard is dealing with customers at this point because with people working from home, staying at home, my guess is that there's more demand than ever for your products. What do you see at this point in terms of what people want from you?

BOBBY KOTICK: You know if you think about our mission of connecting and engaging the world through epic entertainment, now is a very good time to be connecting and engaging the world through epic entertainment. And so I think we've played our part in giving parents, for example, ways that they can occupy their kids at home. I think for our adult populations, which are more than half of our audiences, we've given a very low-cost form of entertainment that's very engaging. You know I think people find it surprising sometimes but 50% of our player base is female. And so I think, you know, being able to provide a very low-cost form of entertainment – many of our games are free – that's been very helpful for our audiences.

We've also, I think it's somewhat of a coincidence, but we started releasing a lot of new content this year. We had a big push for the delivery of new content. And so our audience sizes have gone up. Right now I think there are over 120 million people at this very moment that are playing our games which is more than watched the Super Bowl.

BECKY QUICK: What did you see? How did your audience jump? How did your

interactivity with your audience jump? Give me some numbers just to show me before Covid and after Covid in terms of how engaged people are with these games.

BOBBY KOTICK: So I have to be careful about specifics, but if you look at things like game boards, in a game like Candy Crush, I think we've seen, you know, 2X or 3X increase in the number of game boards that were played at a moment in time. Now, I can't tell you that all of it is attributable to Covid. I think that, you know, we've had a lot of new content release. We've introduced new free-to-play games. And so I think there's, just the increase in content has also contributed to some degree to the increase in consumption.

BECKY QUICK: I think that's an important point to try and break down, what people are doing, how they're doing it, why they're doing it, because the other thing we're all trying to figure out right now is how behaviors have changed during working from home and staying at home and how behaviors, which ones are sticking, which ones won't change. So how do you kind of try and sort through those details to figure out how much of this is lasting? And if you've gotten new customers who had never seen this before, maybe they stick around and are new customers for you too.

BOBBY KOTICK: Well, we've definitely, we can track customers who are new to our ecosystem. I can't tell you that they're necessarily new to gaming. But we have seen,

you know, a pretty significant increase in customers new to our ecosystem and I think that what you're seeing is that this is continuing to, games are continuing to become a broad appeal form of entertainment. On a cost per hour basis, they're probably the lowest cost per hour form of entertainment of any medium – television, film. So it's very accessible economically. I think when you think about what you get from the game experience, you know, there definitely is the focus and the discipline that's required and the investment in concentration can be a very satisfying way to relax.

And then there's the social component of gaming. So many of our games are played in groups of people where they're communicating over headsets or text or video. And so in an environment where there isn't the ability to have regular social connection outside of your home, games are providing a really great, safe, non-toxic way to have a social experience.

BECKY QUICK: You mentioned the competition you have with movie studios and film studios, how you guys are all trying to reach the same customers and get more of their bandwidth, more of their time, their free time. And it's been pretty well documented how so many of the studios have had to shut down. They can't be doing filming or putting out anything. So we're not going to see a new fall season for the first time in anybody's memory, to have a new fall slate of things to watch. We haven't seen a new movie release in forever. How have you been able to work on that front? How much more

difficult is it for the creative process, for what you all do, for the content you put together when everybody's working from home? Are you going to have that same sort of shutdown in production? Or are you able to find ways to make it all work and you're still going to be able to be on time with a lot of new releases and more content to come?

BOBBY KOTICK: So we don't have any of the production restrictions and limitations that you have in film and television. You know we're not shooting actors. We're not on location. And so what we've found is our work is very collaborative. There'll be studios from across the globe that are involved in the creation of content and so we were able to move fairly quickly to enable our employees to continue to work and collaborate. What I'll tell you is for this year, it seems like we are on track with a lot of new content for the fall, on track for content for next year.

I do worry a bit about the creative process over the long-term because I think serendipity does play an important role in the creative process. And so being in close proximity, being able to share ideas, you know, we are a visual medium so being able to do those things in person, you can't really account for what happens in those serendipitous connections. And so I don't think we really have great visibility quite yet into what might change. We also don't have visibility into whether or not creativity could be enhanced from some of these new ways of interacting with people. You know it might make you more focused in the moment in the way that you're interacting through

video. And so I think it's too early to know how the creative process is going to be impacted. But I would say that generally our employees are working from home very productively and we haven't seen a loss of productivity just yet, but it's early to know.

BECKY QUICK: Do you think that things will look different even in the new normal when you get back to having employees back in the office? Will the experience you've seen here and the level of productivity that you're describing, will that make you willing to let people maybe work from home more often?

BOBBY KOTICK: You know it's something that we're exploring right now. One of my worries right now is that people are working long hours and really hard. And so we want to make sure that people are taking breaks. We've got a whole new group of mental health services that we're providing to our employees. You know I worry about childcare. So I think that we've got to be really mindful of how do you make sure that people are adjusting their behaviors to take breaks, to take time off, to be able to exercise, to make sure that they're being, you know, mindful. And so I don't think we have great visibility quite yet into what work in the future will look like, but we're doing a lot of exploration about new forms of offices.

You know our first priority is safety, so we are doing things like putting plexiglass between open work environments, you know, automatic doors, automatic dispensers for

sanitizers, the UV types of changes. You know, food being delivered to desks instead of in a cafeteria. But I think for the long term, it's given us an opportunity to really rethink the work environment and, you know, what's going to be important about a work environment going forward, not just for safety and health reasons, but also for collaboration, creativity, communication. And so I think you're going to see a lot of innovation in facilities over the next couple of years.

BECKY QUICK: I'm glad to hear that you're thinking about childcare because as somebody with four kids at home it strikes me as one of the biggest potential problems facing the nation as we get back. Going into this fall, we still don't know what's going to happen with schools, which ones will open, which ones won't. I know it's still early but what are you thinking in terms of what your company and other employers might be able to offer to help on that front because I think it's a huge issue particularly for women.

BOBBY KOTICK: So we, and I couldn't agree more, early on we realized that childcare was going to be a huge challenge. And so we have these childcare resources, and not just childcare but also for adult care, so many of our employees because they're young, they have parents they care for. So there are programs, like there's a firm called Wealthy. There's another program called Sitter City that does licensed childcare. But very early on, we funded an initiative that Common Sense Media supported which is called Wide Open School. And Wide Open School is an online resource for a whole

host of programs for kids. It is excellent. And so we've been encouraging our employees to use that for their children. It has core curriculum, innovative curriculum, videos, exercise programs, a whole host of really great online resources for families and for their children.

BECKY QUICK: How does it work? You pay a monthly subscription and you're allowed to have your employees on it? What happens...not that I'm interested, but...

BOBBY KOTICK: Mainly free. They started out with trying to identify mainly free resources and then within the universe of resources there are different payment models. Some are subscription, some are advertiser-supported. But there are a sufficient number of free resources through Wide Open School that most parents should be able to find things for their children.

BECKY QUICK: Bobby, one of the other things that we've seen is the shutdown of sports and that has left a lot of people kind of reeling wondering what they can do with all this time that they used to spend with all the enjoyment and the social interactions you get from watching professional sports. And E-Sports has been one of the really resilient places where you took moves very early on. Why don't you talk about what you did to make sure that your E-Sports leagues would be able to operate safely? And give us an update on where things stand right now.

BOBBY KOTICK: So, you know, we operate two of the biggest E-Sport leagues in the world, the Call of Duty League and the Overwatch League. And this year was the first year where we were, our owners were going to their local markets to actually operate in venues in their local markets. And so in February we started in local markets, including in China, with events in person. And we quickly, in China, had to disband those events and then we quickly moved to eliminate the in-person events in the rest of the world. But amazingly, we didn't miss a beat. The season has been progressing. We went back to online and obviously our first priority was the safety of our players and our coaches and general managers. But we've now been playing full season and I think it's been providing a great opportunity for spectating for both video gamers but also people who may never have experienced an E-Sport competition before.

BECKY QUICK: You guys thought of the bubble idea long before the NBA did. How does that work? How do you keep your players safe? How do you keep your coaches safe? It's not all done remotely in a work-from-home environment?

BOBBY KOTICK: So we have houses and each player has their own room. And we've got medical, the teams are largely doing this for their players, but there are medical professionals. They're doing testing. But they've been quarantined since the beginning of the season in these dedicated facilities where they are in a bubble. And it's not easy to be in a bubble especially when you have people who are in foreign countries. You

know if you're a player from Korea or China and you're living in New Jersey, which we had happen, you know, things like access to food that you feel comfortable eating, you know, you get lonely. So I think the teams have become families for each other. And it's a bit of a dislocation. I think that they're so passionate and focused on their sport and excelling in their sport that they've overcome what are a lot of challenges to continue to be able to play.

BECKY QUICK: Why don't we talk a little bit about the market because you look at the markets and they've come back, roaring back, 45% off the lows that we saw back in March, within spitting distance of new highs, especially for the Nasdaq. A lot of people are scratching their heads because if you listen to economists, like The Economic Club of New York tends to do, they will tell you that things are going to get much worse, that we're going to see additional layoffs, that the unemployment rate is not going to improve drastically towards the end of this year, that a lot of the government programs that have been propping things up are due to expire at the end of this month. So what do investors see? What does the market see that economists don't necessarily see?

BOBBY KOTICK: Look, I think you have to give credit to the Fed and to the Secretary of the Treasury for doing a terrific job in very quickly and in a bipartisan way making relief available. But I think that with the levels of unemployment we have, you know, when you look at the decline in growth, you know, there's no question that we're going

to have a challenge of what is now going to be a much larger deficit than anybody expected, much higher unemployment, and a lot of economic dislocation that is going to need to be managed and I think it's going to prove to be a great challenge. But when you think about interest rates, where they are today, you know when you look at where capital is going to get any kind of a return, equities is the place that people are getting a return. And I think that's contributed a lot to what we've seen as a very stable and growing stock market.

I also think in the U.S. we had, two years ago we had the Repatriation Holiday and an enormous amount of foreign cash, trapped cash for U.S. companies has come back to the U.S. That's probably getting invested in, both in new opportunities, but also in repurchases and reductions of debt or retiring of debt for what is now cheaper debt. But I think that's probably the only explanation.

BECKY QUICK: We seem to be looking to our corporate leaders more and more to help guide us through all the crises that we're facing right now. And obviously you've jumped in with both feet on the Covid-19 front. You are guiding and protecting your workforce, their families and beyond. But the other issue that's come up during this time has been social unrest and racial divisiveness. And I wonder what you hear back from your staff, your employees on this front because most of the CEOs I've spoken to have said that they have heard quite a bit from their employees who have pushed them to do more

and who want to hear more. You've got a very young staff. What do you hear back from them?

BOBBY KOTICK: I have been so proud of our employees. They are so focused and committed and dedicated to making sure that we have a real commitment, continuing commitment to diversity, inclusion and equity. And my favorite example of this happened well before Covid. It actually happened in 2014. But we had a team making a game called Overwatch. And they realized, and it was a great insight, that through popular cultural entertainment, you can actually change stereotypes. And so they set about creating a game where for the first time the heroes of the game – the people that you play – would be half female. There were transgender characters. There were gay characters. There were people of different races, religions, ethnicities.

The game itself took place all across the world. And so they set out through the changing of these heroes to actually enable people to play from a different perspective. And so that actually had this impact of really changing stereotypes and, I think, really encouraging tolerance and understanding in a way that, you know, I think popular culture and our form of entertainment can uniquely enable.

BECKY QUICK: What have you heard back from the audience?

BOBBY KOTICK: Well, we can see it in the data. So, you know, what is an overwhelmingly large population of players, of male players, are playing female players with regularity and consistency because the powers and capabilities of those female players are in some ways better than the male heroes, that we're seeing with different races and ethnicities. So there's, and I think that is a really powerful and positive way that you can actually affect change beyond just the composition of your employee base.

BECKY QUICK: You're not just an entertainment company, though, you're also a tech company and you obviously need engineers. That's been a ___ trying to find diverse engineers that everybody in Silicon Valley has struggled with. Why is that? What's the problem? How does it get fixed?

BOBBY KOTICK: Well, I would say from our perspective, you can't create broad-based entertainment that appeals – you know we have customers in 196 countries – we can't create broad-based entertainment without diverse views, opinions, you know, culture, ethnicities. It's just not possible. So we have to do that for our existence. I think that the challenge you see in the country today and across the world is that, I mean, look at where education is. And let's start with K-12 education in America, you know, it's appalling. And when you look at the statistics of who is graduating from high school, you know, what is the percentage of the population that has grade level skills at any grade, you know we are just not in a place where, as a country, we are educating our kids at

the level that they need to.

And so that will translate into challenges and I think there are unique challenges for people of color in this country where they're not getting access to that level of quality of education. And so that needs to get fixed faster. And I think we're going to have to start looking at alternative ways of educating kids. I think, you know, part of what you're seeing from work-from-home and educate-from-home is a rethinking of how you educate kids. You know the resource that I talked to you about, you know, Wide Open School, I think we're now going to have to start thinking about how do you go direct to the kid because they're not in a physical school with the benefit of a physical teacher all the time? And how do you actually start using technology more effectively to educate? And I think that may be one of the side, you know, few benefits of what has happened over the last six months is that we restart to rethink how we can more effectively educate our children.

BECKY QUICK: I think on your balance sheet you have about \$6 million. I don't think you've done any acquisitions or any major acquisitions since 2016 with King Digital. You have your sights on anything right now? Does everything that happened make it better to get bigger? Make it more likely for you to kind of reach out and buy somebody else? What has all of this done to the mergers and acquisitions front?

BOBBY KOTICK: So, you know, this is my 30th year as the CEO and the criteria hasn't really changed for me. Most of my criteria was set out a long time ago in the Berkshire Hathaway Owner's Manual for Shareholders. But when you think about a history of profitability, and not just a quarter, good management, you know, proprietary technology or intellectual property rights, you know, accretive to the operating model and non-dilutive as a transaction, those criteria alone narrow the universe to a much smaller universe. But those criteria have generally served us well and I don't think we'll depart from those any time soon.

I think, you know, it's probably difficult to do large scale acquisitions right at the moment, but I think that, you know, we're hopeful that over time we'll see more opportunities. We haven't done many as you know in the 30 years because those criteria are pretty rigid. But I think with the economic uncertainty and with the changes that are taking place, there'll probably be more opportunities over the next few years.

BECKY QUICK: More opportunity because prices, stock prices might come down and make things look a little more attractive from a valuation perspective?

BOBBY KOTICK: Well, that's certainly one thing. I think when you look at the cost of capital, you know, I think when a company like ours can issue 30-year debt at 3%, you know, the cost of capital is as low as I can ever remember it being, of debt capital, and

so I think when you think about opportunities that meet those criteria, being able to borrow at 3% is something that's unprecedented for us.

BECKY QUICK: Normally this month you would be in Sun Valley at the Allen & Company confab with lots of other technology, media experts, all the people who would be kind of gathering there this time of year. What are you doing instead?

BOBBY KOTICK: I'm here with you.

BECKY QUICK: (Laughter) Okay, not this minute, any other plans? What does your life look like outside of this? How are you handling the lockdown situation, trying to be safe but also maybe trying to get out a little bit during the summer?

BOBBY KOTICK: Focus on being a very engaged parent, you know, my kids are all here and they're older, so engaging them and keeping them entertained is somewhat of a challenge. I've been trying to get regular exercise. But I haven't veered far from the house since March. But I think it definitely has given me a chance to spend more quality time with my children and I've been catching up on reading, which I haven't had the luxury of prior to the last six months. So that's been great. And I was not much of a television watcher, but I've started watching a little bit of television and I'm amazed at how much high-quality programming there actually is. And then, of course, I have a lot

of games to play.

BECKY QUICK: I was going to get you on that. I didn't think you were going to mention gaming. What's your favorite game?

BOBBY KOTICK: Of all time?

BECKY QUICK: Sure.

BOBBY KOTICK: So it was actually the motivation for me to buy the company, but Pitfall! and Kaboom! were two of my favorite games of all time. And then oddly the game that I probably early in my late teenage years and in college that really captured me was a game called Mystery House. And when we bought Vivendi Games, we actually acquired Sierra, which made the first real game that I think I was incredibly invested in as a kid.

Of the games over the last 30 years that probably have been the most appealing to me, Guitar Hero, which I, initially we didn't develop the original product – we bought it – and when I first saw it, I didn't think it would actually be successful. So, of my team, I think I was the most negative about the idea of buying Guitar Hero. I thought this is a silly thing and who would want to play a plastic guitar. Once we bought the company, I couldn't

stop playing it and I actually think that it's something that we should consider releasing a new version of. But Guitar Hero, I think, was one of the great games we've ever played. Candy Crush, it is a great way to relax and it's a great, you know, 15 or 20-minute way to relax. I think when you look out, of the history of things that we're making going forward, the games that I think are going to have the most impact are the ones that you're starting to see have the most engagement are the games that are really social. So you're starting to have this ability to be able to talk to people and text with people and see them over video. And I think that this social experience that you can get, and it can be a very random social experience, so you'll play with people that you've never met before or a group of people that you've assembled over time. Before all of this, we used to have an annual event where our gamers, Blizzard gamers, would come from all over the world to Anaheim and we had 100 to 150 weddings every year of people who met online. And so, you know, these groups that are really, the social formations are really becoming more impactful and different than I think what I imagined 30 years ago was possible in gaming.

BECKY QUICK: Bobby, I want to thank you so much for your time today. It's been a pleasure. We appreciate everything you're doing being here. And I'm with you 100%, Pitfall and Candy Crush, those are my games. Thank you, w Bobby. And we want to turn it back to over to John Williams.

BOBBY KOTICK: Becky, thank you so much for doing this and taking the time. I really, really appreciate it. John, thank you very much.

CHAIRMAN JOHN C. WILLIAMS: Thank you Bobby and thank you Becky for spending your time with us today. It was a really wide-ranging and fascinating conversation. As you may have noticed, the Club Calendar of Events has been extended through the summer this year. And we've got a bunch of great speakers lined up so we encourage you to invite guests to our events. I'll just mention that next up we have David Solomon, the Chairman and CEO of Goldman Sachs this Wednesday, July 22. So as our calendar continues to grow, please be sure to monitor the website and we'll also communicate by email as usual. So thank you again. Thanks again for joining us today and please stay well.