

Activision Blizzard, Inc.  
Form 10-Q  
November 05, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission File Number 1-15839**

## ACTIVISION BLIZZARD, INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-4803544**

(I.R.S. Employer Identification No.)

**3100 Ocean Park Boulevard, Santa Monica, CA**

(Address of principal executive offices)

**90405**

(Zip Code)

**(310) 255-2000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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The number of shares of the registrant's Common Stock outstanding at October 29, 2010 was 1,206,030,404.

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**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**

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**CAUTIONARY STATEMENT**

*This Quarterly Report on Form 10-Q contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and include, but are not limited to: (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow or other financial items; (2) statements of our plans and objectives, including those relating to product releases; (3) statements of future economic performance; and (4) statements of assumptions underlying such statements. We generally use words such as anticipate, believe, could, estimate, expect, forecast, future, intend, may, outlook, plan, positioned, potential, project, remain, scheduled, set to, subject to, to be, upcoming, will, and other similar expressions to help identify forward-looking statements. Forward-looking statements are subject to business and economic risk, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially. The forward-looking statements contained herein speak only at the date on which this Quarterly Report on Form 10-Q was first filed. Risks and uncertainties that may affect our future results include, but are not limited to, sales levels of Activision Blizzard's titles, shifts in consumer spending trends, the impact of the current macroeconomic environment, the seasonal and cyclical nature of the interactive game market, Activision Blizzard's ability to predict consumer preferences among competing hardware platforms, possible declines in software pricing, product returns and price protection, product delays, retail acceptance of Activision Blizzard's products, adoption rate and availability of new hardware (including peripherals) and related software, industry competition, including from used games, and from other forms of entertainment, litigation risks and associated costs, rapid changes in technology, industry standards, business models, including online and used games and consumer preferences including interest in specific genres such as music, first-person action and massively multiplayer online games, protection of proprietary rights, maintenance of relationships with key personnel, customers, licensees, licensors, vendors, and third-party developers, including the ability to attract, retain and develop key personnel and developers that can create high quality hit titles, counterparty risks relating to customers, licensees, licensors and manufacturers, domestic and international economic, financial and political conditions and policies, foreign exchange rates and tax rates, and the identification of suitable future acquisition opportunities, and potential challenges associated with geographic expansion, and the other factors identified in Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009. The forward-looking statements contained herein are based upon information available to us as of the date of this Quarterly Report on Form 10-Q and we assume no obligation to update any such forward-looking statements. Although these forward-looking statements are believed to be true when made, they may ultimately prove to be incorrect. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and may cause actual results to differ materially from current expectations.*

*Activision Blizzard's names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of Activision Blizzard.*

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Amounts in millions, except share data)

|   | At September 30,<br>2010 | At December 31,<br>2009 |
|---|--------------------------|-------------------------|
| <b>Assets</b>   |                          |                         |
| Current assets:   |                          |                         |
| Cash and cash equivalents   | \$ 2,123                 | \$ 2,768                |
| Short-term investments  | 726                      | 477                     |
| Accounts receivable, net of allowances of \$203 million and \$317 million at September 30, 2010 and December 31, 2009, respectively | 246                      | 739                     |
| Inventories   | 258                      | 241                     |
| Software development  | 248                      | 224                     |
| Intellectual property licenses  | 26                       | 55                      |
| Deferred income taxes, net  | 419                      | 498                     |
| Other current assets  | 102                      | 327                     |
| Total current assets  | 4,148                    | 5,329                   |
| Long-term investments   | 23                       | 23                      |
| Software development  | 37                       | 10                      |
| Intellectual property licenses  | 36                       | 28                      |
| Property and equipment, net   | 169                      | 138                     |
| Other assets  | 14                       | 9                       |
| Intangible assets, net  | 566                      | 618                     |
| Trademark and trade names   | 433                      | 433                     |
| Goodwill  | 7,144                    | 7,154                   |
| Total assets  | \$ 12,570                | \$ 13,742               |
| <b>Liabilities and Shareholders Equity</b>  |                          |                         |
| Current liabilities:  |                          |                         |
| Accounts payable  | \$ 238                   | \$ 302                  |
| Deferred revenues   | 622                      | 1,426                   |
| Accrued expenses and other liabilities  | 533                      | 779                     |
| Total current liabilities   | 1,393                    | 2,507                   |
| Deferred income taxes, net  | 231                      | 270                     |
| Other liabilities   | 200                      | 209                     |
| Total liabilities   | 1,824                    | 2,986                   |
| Commitments and contingencies (Note 12)   |                          |                         |
| Shareholders equity:  |                          |                         |

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Common stock, \$0.000001 par value, 2,400,000,000 shares authorized, 1,376,067,589 and 1,364,117,675 shares issued at September 30, 2010 and December 31, 2009, respectively

|  |               |               |
|--|---------------|---------------|
| Additional paid-in capital   | 12,313        | 12,376        |
| Less: Treasury stock, at cost, 170,214,263 and 113,686,498 at September 30, 2010 and December 31, 2009, respectively | (1,848)       | (1,235)       |
| Retained earnings (accumulated deficit)  | 290           | (361)         |
| Accumulated other comprehensive loss   | (9)           | (24)          |
| <b>Total shareholders' equity</b>  | <b>10,746</b> | <b>10,756</b> |
| Total liabilities and shareholders' equity   | \$ 12,570     | \$ 13,742     |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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**ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(Amounts in millions, except per share data)

**For the Three Months Ended**