

Activision Blizzard, Inc.
Form 8-K
February 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): February 5, 2015

ACTIVISION BLIZZARD, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-15839
(Commission File Number)

95-4803544
(IRS Employer
Identification No.)

3100 Ocean Park Boulevard,
Santa Monica, CA

90405
(Zip Code)

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(Address of Principal Executive
Offices)

Registrant's telephone number, including area code: (310) 255-2000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Certain Information Not Filed. The information in Item 2.02 of this Form 8-K and Exhibit 99.1 attached to this Form 8-K shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall such Item 2.02 or such Exhibit 99.1 or any of the information contained therein be deemed incorporated by reference in any filing under the Securities Exchange Act of 1934 or the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 2.02. Results of Operations and Financial Condition.

On February 5, 2015, Activision Blizzard, Inc. (the Company) issued a press release announcing results for the Company for the fiscal quarter and year ended December 31, 2014. A copy of the press release is attached hereto as Exhibit 99.1. As previously announced, the Company is hosting a conference call and webcast in conjunction with that release.

Item 8.01. Other Events.

Cash Dividend. On February 5, 2015, the Company's Board of Directors approved a cash dividend of \$0.23 per share to be paid on May 13, 2015 to shareholders of record of the Company's common stock on March 30, 2015.

Share Repurchase. On February 3, 2015, the Company's Board of Directors authorized the Company to repurchase up to \$750 million of the Company's common stock on terms and conditions to be determined by the Company from February 9, 2015 until the earlier of February 8, 2017 and a determination by the Board of Directors to discontinue the repurchase program.

Condensed Consolidated Financial Highlights – Fourth Quarter 2014 Results (Unaudited). Set forth below are the Company's condensed consolidated financial highlights for the periods and at the dates indicated.

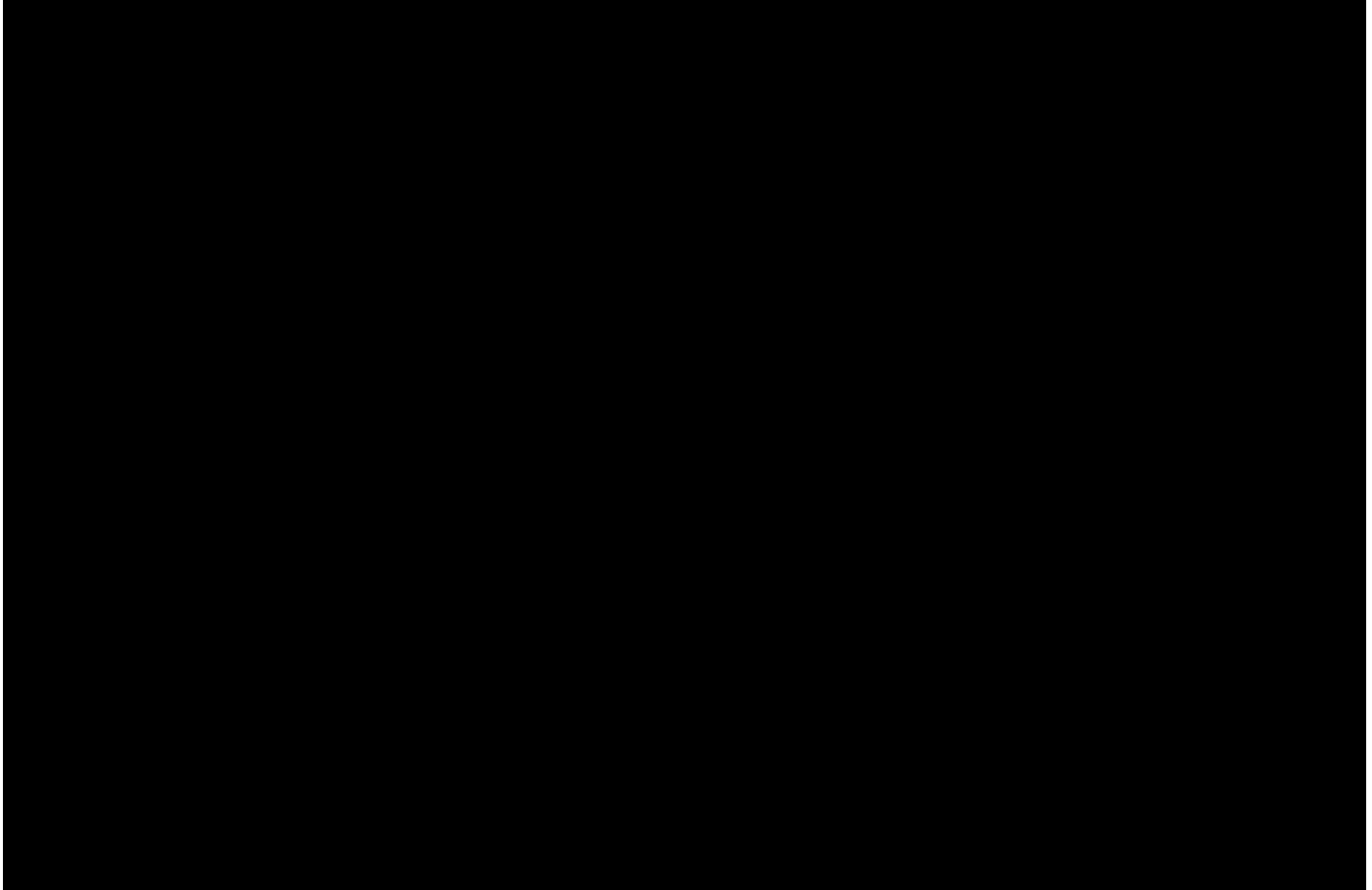
ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|---------------------------------|------|-------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| | | | | |



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1 Subscription, licensing and other revenues represents revenues from *World of Warcraft* subscriptions, licensing royalties from our products and franchises, value-added services, downloadable content, and other miscellaneous revenues.

2 The company calculates earnings per share pursuant to the two-class method which requires the allocation of net income between common shareholders and participating security holders. We had, on a weighted-average basis, participating securities of approximately 12 million and 15 million for the three months and year ended December 31, 2014, respectively. We had, on a weighted-average basis, participating securities of approximately 23 million and 24 million for the three months and year ended December 31, 2013, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$355 million and \$817 million for the three months and year ended December 31, 2014 as compared to total net income of \$361 million and \$835 million for the same periods, respectively. Net income attributable to Activision Blizzard Inc. common shareholders used to calculate earnings per common share assuming dilution was \$168 million and \$987 million for the three months and year ended December 31, 2013 as compared to total net income of \$174 million and \$1,010 million for the same periods, respectively.

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in millions)

| | December 31, | | December 31, | |
|---|--------------|---------|--------------|---------|
| | 2014 | | 2013 | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ | 4,848 | \$ | 4,410 |
| Short-term investments | | 10 | | 33 |
| Accounts receivable, net | | 659 | | 510 |
| Inventories, net | | 123 | | 171 |
| Software development | | 452 | | 367 |
| Intellectual property licenses | | 5 | | 11 |
| Deferred income taxes, net | | 368 | | 321 |
| Other current assets | | 444 | | 418 |
| Total current assets | | 6,909 | | 6,241 |
| Long-term investments | | 9 | | 9 |
| Software development | | 20 | | 21 |
| Intellectual property licenses | | 18 | | --- |
| Property and equipment, net | | 157 | | 138 |
| Other assets | | 85 | | 35 |
| Intangible assets, net | | 29 | | 43 |
| Trademark and trade names | | 433 | | 433 |
| Goodwill | | 7,086 | | 7,092 |
| Total assets | \$ | 14,746 | \$ | 14,012 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ | 325 | \$ | 355 |
| Deferred revenues | | 1,797 | | 1,389 |
| Accrued expenses and other liabilities | | 592 | | 636 |
| Current portion of long-term debt | | --- | | 25 |
| Total current liabilities | | 2,714 | | 2,405 |
| Long-term debt, net | | 4,324 | | 4,668 |
| Deferred income taxes, net | | 114 | | 66 |
| Other liabilities | | 361 | | 251 |
| Total liabilities | | 7,513 | | 7,390 |
| Shareholders' equity: | | | | |
| Common stock | | --- | | --- |
| Additional paid-in capital | | 9,924 | | 9,682 |
| Treasury stock | | (5,762) | | (5,814) |
| Retained earnings | | 3,374 | | 2,686 |
| Accumulated other comprehensive income (loss) | | (303) | | 68 |
| Total shareholders' equity | | 7,233 | | 6,622 |
| Total liabilities and shareholders' equity | \$ | 14,746 | \$ | 14,012 |

ACTIVISION BLIZZARD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)

| | Year Ended December 31, | |
|---|-------------------------|----------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net income | \$ 835 | \$ 1,010 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Deferred income taxes | (44) | 161 |
| Provision for inventories | 39 | 33 |
| Depreciation and amortization | 90 | 108 |
| Loss on disposal of property and equipment | 1 | --- |
| Amortization and write-off of capitalized software development costs and intellectual property licenses (1) | 256 | 207 |
| Amortization of debt discount and debt financing costs | 7 | 1 |
| Stock-based compensation expense (2) | 104 | 108 |
| Excess tax benefits from stock awards | (39) | (29) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (177) | 198 |
| Inventories | (2) | 6 |
| Software development and intellectual property licenses | (349) | (268) |
| Other assets | 18 | (67) |
| Deferred revenues | 475 | (275) |
| Accounts payable | (12) | 7 |
| Accrued expenses and other liabilities | 90 | 64 |
| Net cash provided by operating activities | 1,292 | 1,264 |
| Cash flows from investing activities: | | |
| Proceeds from maturities of available-for-sale investments | 21 | 304 |
| Proceeds from sales of available-for-sale investments | --- | 98 |
| Purchases of available-for-sale investments | --- | (26) |
| Capital expenditures | (107) | (74) |
| Decrease (increase) in restricted cash | 2 | 6 |
| Net cash provided by (used in) investing activities | (84) | 308 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock to employees | 175 | 158 |
| Tax payment related to net share settlements on restricted stock rights | (66) | (49) |
| Repurchase of common stock | --- | (5,830) |
| Dividends paid | (147) | (216) |
| Proceeds from issuance of long-term debt | --- | 4,750 |
| Repayment of long-term debt | (375) | (6) |
| Payment of debt discount and financing costs | --- | (59) |
| Excess tax benefits from stock awards | 39 | 29 |
| Net cash used in financing activities | (374) | (1,223) |

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| | | |
|--|----------|----------|
| | | |
| Effect of foreign exchange rate changes on cash and cash equivalents | (396) | 102 |
| Net increase in cash and cash equivalents | 438 | 451 |
| | | |
| Cash and cash equivalents at beginning of period | 4,410 | 3,959 |
| | | |
| Cash and cash equivalents at end of period | \$ 4,848 | \$ 4,410 |
| | | |

(1) Excludes deferral and amortization of stock-based compensation expense.

(2) Includes the net effects of capitalization, deferral, and amortization of stock-based compensation expense.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated February 5, 2015 (furnished not filed)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 5, 2015

ACTIVISION BLIZZARD, INC.

By: /s/ Dennis Durkin
Dennis Durkin
Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release dated February 5, 2015 (furnished not filed) |