

ACTIVISION INC /NY

FORM 8-K (Unscheduled Material Events)

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Industry	Software & Programming
Sector	Technology
Fiscal Year	03/31

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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 6, 2006
(February 6, 2006)

ACTIVISION, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-12699

95-4803544

(Commission File Number)

(IRS Employer
Identification No.)

3100 Ocean Park Blvd., Santa Monica, CA

90405

(Address of Principal Executive Offices)

(Zip Code)

(310) 255-2000

(Registrant's telephone number, including area code)

(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))

Item 2.02 Results of Operations and Financial Condition.

On February 6, 2006, Activision, Inc. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended December 31, 2005. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Press Release of the Company, dated February 6, 2006.

SIGNATURES

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

ACTIVISION, INC.

By: /s/ Michael Griffith

Name: Michael Griffith
Title: President and Chief Executive
Officer of Activision
Publishing, Inc.

Date: February 6, 2006

EXHIBIT INDEX

Exhibit Number	Description
----- 99.1	----- Press Release of Activision, Inc., dated February 6, 2006.

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ACTIVISION REPORTS THIRD QUARTER AND NINE MONTH FISCAL 2006 RESULTS

Santa Monica, CA -February 6, 2006 - Activision, Inc. (Nasdaq: ATVI) today announced financial results for the third quarter and nine months ended December 31, 2005.

Net revenues for the third quarter were a record \$816.2 million or 20% higher, as compared to \$680.1 million for the third quarter of fiscal year 2005. Net income for the third quarter was \$67.9 million, compared with net income of \$97.3 million for the previous fiscal third quarter. Diluted earnings per share were \$0.23 per diluted share, compared to \$0.35 per diluted share reported for the prior fiscal third quarter.

For the nine-month period ended December 31, 2005, the company announced record net revenues of \$1.28 billion, as compared to net revenues of \$1.20 billion reported for the nine-month period last fiscal year. The company also announced earnings per diluted share for the nine-month period of \$0.17, as compared to earnings per diluted share of \$0.49 for the same period last fiscal year.

Robert Kotick, Chairman and CEO of Activision, Inc., commented, "Net revenues for the third quarter and first nine months of fiscal year 2006 were the highest in the company's history. According to NPD we were the #2 overall software publisher in the U.S. and remain the number #1 market share publisher for the Xbox 360. We ended the quarter with approximately \$765 million in cash and short-term investments and \$1.2 billion in shareholders' equity."

Activision Announces Q3 2006 Earnings Results

Kotick continued, "Despite these achievements, we were disappointed with our earnings performance this quarter which was the result of weaker than expected market conditions in the U.S. and Europe due to the transition from current-generation consoles to the next generation of video game systems."

"In the long term, we are planning for market growth that historically follows the introduction of new console hardware. To leverage this future growth and prepare for fiscal 2008, which we expect will be the biggest year in Activision's history, we will continue to focus on investment in our product development resources and intellectual property portfolio, growing our international operations and optimizing our worldwide cost structure and resource allocation," Kotick added.

Business Highlights

Between October and December, Activision released eight new games: Tony Hawk's American Wasteland, Call of Duty(R) 2, Call of Duty(R) 2: Big Red One, Quake 4(TM), GUN(TM), True Crime(R): New York City, Shrek(R) SuperSlam and The Movies(TM).

Business highlights include:

- o Call of Duty 2 was the #2 best-selling PC game in the U.S. for the quarter, according to The NPD Group.
- o Call of Duty 2 was also the #1 Xbox 360 title in the U.S., according to The NPD Group. The Xbox 360 game had the highest attach rate of any console launch in video game history.
- o GUN was the #1 best-selling game based on a new intellectual property in the U.S., according to The NPD Group. GUN marks the third consecutive year that Activision has created the #1 new intellectual property in the marketplace.
- o Tony Hawk's American Wasteland was the #4 best-selling title in the U.S., according to The NPD Group. The game marks the seventh title in the franchise that has been a Top 10 holiday title.
- o For the quarter, Activision was the #2 publisher overall and the #1 publisher overall for the Xbox 360 platform, according to The NPD Group.
- o On November 9, Activision and Marvel Entertainment expanded their long-term, broad-based strategic alliance by signing a multi-year extension to their current video game licensing agreements for the Spider-Man(TM) and X-Men(TM) franchises through 2017.
- o On November 9, Activision signed an agreement with Spider-Man Merchandising L.P., a limited partnership between Marvel Entertainment, Inc. (NYSE: MVL) and Sony Pictures Consumer Products Inc., to extend its exclusive worldwide publishing rights to the phenomenally

successful Spider-Man(R) motion pictures through 2017.

o On November 11, Activision signed a multi-year agreement with DreamWorks Animation which grants Activision the exclusive video game rights to four upcoming feature films from DreamWorks Animation -- "Bee Movie," "Kung Fu Panda," "Rex Havoc" and "How to Train Your Dragon." The deal also extends Activision's video game rights beyond "Shrek 3" to include potential future films in the "Shrek" franchise.

Company Outlook

Based on weaker than expected market conditions in the third quarter, Activision revised its outlook for the fiscal year 2006 and the fourth quarter. For the fiscal year, Activision expects net revenues of \$1.405 billion to \$1.415 billion and earnings per share of \$0.09 to \$0.11. For the fourth quarter, the company expects \$125 million to \$135 million in net revenues and a loss per share of \$0.07 to \$0.09.

For fiscal year 2007, Activision expects net revenues to slightly exceed \$1 billion and a modest increase in year-over-year earnings per share, excluding the impact of adopting FASB 123(R), which relates to the expensing of stock options and other share-based payments. For fiscal year 2008, the company expects net revenues to exceed \$1.6 billion.

Conference Call

Today at 4:30 p.m. EST, Activision's management will host a conference call and Webcast to discuss its third quarter fiscal year 2006 results and outlook. The company welcomes all members of the financial and media communities to visit the "Investor Relations" area of www.activision.com to listen to the conference call via live Webcast or to listen to the call live by dialing into (719) 457-2637 in the U.S.

About Activision

Headquartered in Santa Monica, California, Activision, Inc. is a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products. Founded in 1979, Activision posted net revenues of \$1.4 billion for the fiscal year ended March 31, 2005.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Italy, Spain, Japan, Australia, Scandinavia and the Netherlands. More information about Activision and its products can be found on the company's World Wide Web site, which is located at www.activision.com.

Note: The statements made in this press release that are not historical facts are "forward looking" statements. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. The company cautions readers of this press release that a number of important factors could cause Activision's actual future results to differ materially from those expressed in any such forward-looking statements.

Such factors include, without limitation, sales of the company's titles during the remainder of fiscal year 2006, consumer spending trends, the seasonal and cyclical nature of the interactive game market, the company's ability to predict consumer preferences among competing hardware platforms, including next-generation hardware, software pricing, product returns and price protection, product delays, retail acceptance of our products, delays in hardware launches, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, maintenance of relationships with key personnel, vendors and third-party developers, international economic and political conditions, integration of recently acquired subsidiaries and identification of suitable future acquisition opportunities. These important factors and other factors that potentially could affect the company's financial results are described in our filings with the Securities and Exchange Commission, including the company's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Readers of this press release are referred to such filings. The company may change its intention, belief or expectation, at any time and without notice, based upon any changes in such factors, in the company's assumptions or otherwise. The company undertakes no obligation to release publicly any revisions to its forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

(Tables to Follow)

ACTIVISION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except earnings per share data)

	Quarter ended 2005	December 31, 2004	Nine months ended 2005	December 31, 2004
Net revenues	\$ 816,242	\$ 680,094	\$ 1,279,875	\$ 1,201,996
Costs and expenses:				
Cost of sales - product costs	367,685	316,494	617,021	528,759
Cost of sales - software royalties and amortization	104,264	58,200	139,267	116,846
Cost of sales - intellectual property licenses	26,376	22,598	55,765	57,797
Product development	53,139	25,068	99,013	66,054
Sales and marketing	155,999	105,248	258,957	200,216
General and administrative	24,712	15,407	65,780	44,854
	-----	-----	-----	-----
Total operating expenses	732,175	543,015	1,235,803	1,014,526
Operating income	84,067	137,079	44,072	187,470
Investment income, net	9,162	3,197	22,840	7,954
Income before provision for income taxes	93,229	140,276	66,912	195,424
Income tax provision	25,284	43,014	15,794	60,662
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Net income	\$ 67,945	\$ 97,262	\$ 51,118	\$ 134,762
Basic earnings per share	\$ 0.25	\$ 0.39	\$ 0.19	\$ 0.55
Weighted average common shares outstanding	274,965	248,569	272,089	246,577
Diluted earnings per share	\$ 0.23	\$ 0.35	\$ 0.17	\$ 0.49
Weighted average common shares outstanding assuming dilution	298,752	276,608	295,963	274,521

Shares and earnings per share data have been restated to reflect our four-for-three stock splits for shareholders of record as of March 7, 2005, paid March 22, 2005 and for shareholders of record as of October 10, 2005, paid October 24, 2005.

ACTIVISION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2005	March 31, 2005
	-----	-----
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 764,606	\$ 840,864
Accounts receivable, net	414,492	109,144
Inventories	84,828	48,018
Software development	24,528	73,096
Intellectual property licenses	5,382	21,572
Deferred income taxes	8,861	6,760
Other current assets	23,751	23,010
	-----	-----
Total current assets	1,326,448	1,122,464
Software development	11,799	18,518
Intellectual property licenses	80,073	14,154
Property and equipment, net	39,180	30,490
Deferred income taxes	36,758	28,041
Other assets	1,234	1,635
Goodwill	100,462	91,661
	-----	-----
Total assets	\$ 1,595,954	\$ 1,306,963
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 213,874	\$ 108,984
Accrued expenses	171,384	98,067
	-----	-----
Total current liabilities	385,258	207,051
Other liabilities	1,216	-
	-----	-----
Total liabilities	386,474	207,051
Shareholders' equity:		
Common stock	-	-
Additional paid-in capital	812,435	741,680
Retained earnings	397,732	346,614
Accumulated other comprehensive income	2,521	11,618
Unearned compensation	(3,208)	-
Total shareholders' equity	1,209,480	1,099,912
	-----	-----
Total liabilities and shareholders' equity	\$ 1,595,954	\$ 1,306,963

ACTIVISION, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION
For the Quarter and Nine Months Ended December 31, 2005 and 2004
(Amounts in thousands)

	Quarter Ended				Percent Increase (Decrease)
	December 31, 2005		December 31, 2004		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
North America	\$ 402,314	49%	\$ 344,342	51%	17%
International	413,928	51%	335,752	49%	23%
Total net revenues	\$ 816,242	100%	\$ 680,094	100%	20%
Segment/Platform Mix					
Publishing:					
Console	\$ 479,686	59%	\$ 382,400	56%	25%
Hand-held	74,032	9%	63,243	9%	17%
PC	113,782	14%	68,410	11%	66%
Total publishing net revenues	\$ 667,500	82%	\$ 514,053	76%	30%
Distribution:					
Console	\$ 95,408	12%	\$ 134,503	20%	-29%
Hand-held	37,154	4%	7,923	1%	369%
PC	16,180	2%	23,615	3%	-31%
Total distribution net revenues	\$ 148,742	18%	\$ 166,041	24%	-10%
Total net revenues	\$ 816,242	100%	\$ 680,094	100%	20%

	Nine Months Ended				Percent Increase (Decrease)
	December 31, 2005		December 31, 2004		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
North America	\$ 626,538	49%	\$ 627,238	52%	0%
International	653,337	51%	574,758	48%	14%
Total net revenues	\$1,279,875	100%	\$1,201,996	100%	6%
Segment/Platform Mix					
Publishing:					
Console	\$ 730,073	57%	\$ 647,069	54%	13%
Hand-held	143,650	11%	105,342	9%	36%
PC	154,735	12%	189,689	15%	-18%
Total publishing net revenues	\$1,028,458	80%	\$ 942,100	78%	9%
Distribution:					
Console	\$ 163,344	13%	\$ 203,626	17%	-20%
Hand-held	60,229	5%	15,134	1%	298%
PC	27,844	2%	41,136	4%	-32%
Total distribution net revenues	\$ 251,417	20%	\$ 259,896	22%	-3%
Total net revenues	\$1,279,875	100%	\$1,201,996	100%	6%

ACTIVISION, INC. AND SUBSIDIARIES
FINANCIAL INFORMATION

For the Quarter and Nine Months Ended December 31, 2005 and 2004

	Quarter Ended December 31, 2005	Quarter Ended December 31, 2004	Nine Months Ended December 31, 2005	Nine Months Ended December 31, 2004
Publishing Net Revenues				
PC	17%	13%	15%	20%
Console	72%	75%	71%	69%
Sony PlayStation 2	39%	44%	38%	41%
Microsoft Xbox	15%	21%	19%	18%
Microsoft Xbox 360	11%	0%	7%	0%
Nintendo GameCube	7%	10%	7%	10%
Hand-held	11%	12%	14%	11%
Nintendo Game Boy Advance	6%	10%	7%	10%
Nintendo Dual Screen	2%	2%	2%	1%
Sony PlayStation Portable	3%	0%	5%	0%
Total publishing net revenues	100%	100%	100%	100%