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This filing consists of 12 pages.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For Quarter Ended October 1, 1983. Commission File Number 2-83372*.

ACTIVISION, INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

94-2606438
(I.R.S. Employer
Identification No.)

2350 Bayshore Frontage Road
Mountain View, California
(Address of principal executive
offices)

94043
(Zip Code)

Registrant's telephone number, including area code: (415) 960-0410.

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 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 .

The number of shares of the registrant's Common Stock outstanding as of October 1, 1983 was 32,745,500.

*Refers to registration statement on Form S-1. Registrant has not yet filed under the Securities Exchange Act of 1934 and, accordingly, does not currently have a 1934 Act filing number.



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ACTIVISION, INC. AND SUBSIDIARIES

INTRODUCTORY NOTE

Registrant conducted an initial public offering of its common stock on June 9, 1983. Accordingly, this Form 10-Q is the second report filed by Registrant pursuant to the reporting requirements of the Securities Exchange Act of 1934.

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ACTIVISION, INC.

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ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands except share information)

ASSETS

	October 1, 1983 (Unaudited)	March 31, 1983
Current assets:		
Cash and temporary cash investments	\$ 18,036	\$ 2,403
Accounts receivable, less allowances for doubtful accounts and sales returns of \$4,380 at October 1 and \$5,016 at March 31 ..	13,335	22,974
Inventories	24,572	21,186
Prepaid and refundable income taxes	6,280	3,484
Other current assets	1,735	1,027
Total current assets	63,958	51,074
Fixed assets	8,989	5,204
Other assets	216	181
	<u>\$ 72,263</u>	<u>\$ 56,459</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 5,119	\$ 9,265
Accrued liabilities	4,199	5,878
Income taxes payable	0	7,493
Total current liabilities	9,318	22,636
Deferred income taxes	305	239
Subordinated notes payable to shareholders	550	550
Total liabilities	10,173	23,425
Shareholders' equity:		
Preferred stock, no par value:		
Authorized: 10,000,000 shares		
Issued and outstanding: None		
Common stock, no par value:		
Authorized: 100,000,000 shares		
Issued and outstanding: 32,745,500		
at October 1 and 29,696,800 at March 31 ...	33,310	362
Retained earnings	28,780	32,672
Total shareholders' equity	62,090	33,034
	<u>\$ 72,263</u>	<u>\$ 56,459</u>

The accompanying notes are an integral part
of these financial statements.

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ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Oct. 1, 1983	Oct. 2, 1982	Oct. 1, 1983	Oct. 2, 1982
Net sales	\$ 13,247	\$ 32,147	\$ 39,452	\$ 62,703
Costs and expenses:				
Cost of sales	6,259	9,074	12,627	18,669
Sales and marketing expenses	9,927	11,599	24,645	21,460
General and administrative expenses	5,622	2,956	10,466	5,741
Operating income (loss)	(8,561)	8,518	(8,286)	16,833
Interest income, net	632	106	796	308
Income (loss) before provision (credit) for income taxes	(7,929)	8,624	(7,490)	17,141
Provision (credit) for income taxes	(3,810)	4,219	(3,598)	8,385
Net income (loss)	\$ (4,119)	\$ 4,405	\$ (3,892)	\$ 8,756
Net income (loss) per common and common equivalent share	\$ (.13)	\$.15	\$ (.12)	\$.29
Number of common and common equivalent shares used in computing net income (loss) per share	32,746	29,935	31,913	30,019

The accompanying notes are an integral part of these financial statements.

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ACTIVISION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(In Thousands)
(Unaudited)

	Six Months Ended	
	Oct. 1, 1983	Oct. 2, 1982
Resources provided:		
From operations:		
Net income (loss).....	\$ (3,892)	\$ 8,756
Add charges to income not requiring a current outlay of working capital:		
Depreciation and amortization	995	254
Deferred income taxes	66	39
Resources provided (used) by operations	(2,831)	9,049
Issuance of common stock	32,948	6
Total resources provided	<u>30,117</u>	<u>9,055</u>
Resources applied:		
Acquisition of fixed and other assets	3,880	1,436
Other	35	178
Total resources applied.....	<u>3,915</u>	<u>1,614</u>
Increase in working capital	<u>\$ 26,202</u>	<u>\$ 7,441</u>
Increase (decrease) in working capital by components:		
Cash and temporary cash investments	\$ 15,633	\$ (1,266)
Accounts receivable	(9,639)	456
Inventories	3,386	8,084
Prepaid and deferred income taxes	2,796	2,846
Other current assets	708	742
Accounts payable	4,146	(4,532)
Accrued liabilities	1,679	(453)
Income taxes payable	7,493	4,594
Short-term debt	0	(3,030)
Increase in working capital	<u>\$ 26,202</u>	<u>\$ 7,441</u>

The accompanying notes are an integral part of these financial statements.

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ACTIVISION, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Oct. 1, 1983 and Oct. 2, 1982 - Unaudited)
 (In Thousands)

1. In the opinion of management, the consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of Oct. 1, 1983 and March 31, 1983, the results of operations for the six months and for the three months ended Oct. 1, 1983 and Oct. 2, 1982, and changes in financial position for the six months ended Oct. 1, 1983, and Oct. 2, 1982. These statements should be read in conjunction with the March 31, 1983 Financial Statements and Notes thereto included in the Company's Prospectus filed in its Registration Statement 2-83372.

The results of operations for the six months and for the three months ended Oct. 1, 1983 are not necessarily indicative of the results to be expected for the full year.

2. Inventories comprise the following.

	<u>Oct. 1, 1983</u>	<u>March 31, 1983</u>
Purchased parts and components	\$ 15,049	\$ 15,722
Finished goods	9,523	5,464
	<u>\$ 24,572</u>	<u>\$ 21,186</u>

3. Fixed assets are stated at cost and comprise the following:

Machinery and equipment	\$ 1,621	\$ 1,191
Office furniture and equipment	7,475	4,432
Leasehold improvements	931	524
	10,027	6,147
Less accumulated depreciation and amortization	(1,938)	(943)
	<u>\$ 8,089</u>	<u>\$ 5,204</u>

4. Legal Proceedings - A civil class action complaint was filed against the Company (refer to Part II. OTHER INFORMATION).

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ACTIVISION, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Sales of the Company's products during the second quarter of fiscal year 1984 decreased 59% as compared to the second quarter of fiscal year 1983. Sales during the first half of fiscal year 1984 decreased 37% as compared to the first half of fiscal year 1983. Throughout the first half of fiscal 1983, the Company experienced rapid growth in its distribution pipeline and benefitted from strong growth in retail sales to consumers. During the first half of fiscal 1984, the Company's sales reflected a seasonal summer slowdown in retail sales. Sales in the second quarter of fiscal 1984 were impacted by the rapidly changing landscape of the home computer and video game hardware and software businesses this year and resulted in very cautious ordering by distributors and retailers, affecting all participants in the business. In addition, in the second quarter, a large flow of discontinued product from several manufacturers was released to the market at reduced retail prices, depressing the purchases of regular-priced new product.

The gross profit margin decreased from 73% of sales during the first half of fiscal 1983 to 68% of sales during the first half of fiscal 1984. The gross profit margin decreased from 73% of sales during the second quarter of fiscal 1983 to 53% of sales during the second quarter of fiscal 1984. The decrease resulted from sales of older, obsolete merchandise at significantly reduced prices, although still above manufactured costs, during the most recent quarter. Profit margins on the sales of new and active product did not change materially.

Sales, marketing and general and administrative expenses in total were slightly higher in the second quarter of fiscal 1984 than in the second quarter of fiscal 1983. These expenses increased significantly as a percentage of sales during the most recent quarter compared to the same quarter last year due to the lower sales levels. Management anticipates that these expenses will continue to vary significantly as a percentage of sales from quarter to quarter due to the seasonal nature of the Company's business.

Liquidity and Capital Resources

At October 1, 1983, the Company's working capital and stockholders' equity were substantially higher than March 31, 1983, as a result of the public sale of the Company's Common Stock on June 9, 1983. Accounts receivable decreased over 40% from March 31 reflecting the reduced level of sales. Inventory increased 16% from March 31 as a result of the introduction of several new titles. Inventory increased 3% from July 2, as a result of new titles introduced in the second quarter, offset somewhat by the sales of obsolete product at reduced prices. Management anticipates that inventory levels will not change appreciably over the next quarter as inventory of older titles continues to be sold-off at reduced prices.

Accounts payable and accrued liabilities decreased nearly 40% from March 31, due to lower business activity. An income tax receivable of \$3.3 million existed at October 1, 1983, compared to an income tax payable of \$7.5 million at March 31, due to the net operating loss experienced for the first half of fiscal 1984 as well as the final payment made relating to fiscal 1983 earnings.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibit is furnished with this report:

Statement re: computation of per share earnings.

(b) Registrant did not file any reports on Form 8-K during its fiscal quarter ended Oct. 1, 1983.

1. 7/13/83

Item 1.

Legal Proceedings

A civil class action complaint was filed against the Company in the United States District Court (N.D. Cal., Action No. C83 4639 WHO) on or about October 3, 1983, by S.T. Blumenfeld, on behalf of himself and all others who acquired the Company's common stock from June 9, 1983 through September 16, 1983, inclusive. The complaint names as co-defendants certain officers and directors, certain other shareholders who sold shares in the public offering and the underwriters in the Company's initial public offering. The complaint, alleging violations of the federal securities laws and including pendant claims under California state statutory and common law, is based upon purported misstatements and omissions in the Company's registration statement and Prospectus issued in connection with the Company's initial public offering.

Plaintiff's demand for relief includes an award of damages according to proof, with interest; that the stock purchases of the class members be rescinded; and that plaintiff recover his costs, attorneys' fees and experts' fees incurred in the action.

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ACTIVISION, INC.

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(Dollar amounts in thousands except per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Oct. 1, 1983</u>	<u>Oct. 2, 1982</u>	<u>Oct. 1, 1983</u>	<u>Oct. 2, 1982</u>
Weighted average shares outstanding for the period	32,744,758	29,775,834	31,590,401	29,864,900
Net effect of stock options based on the treasury stock method	<u>-0-</u>	<u>159,312</u>	<u>-0-</u>	<u>154,380</u>
Average common and common equivalent shares outstanding	<u>32,744,758</u>	<u>29,935,146</u>	<u>31,590,401</u>	<u>30,019,280</u>
Net income (loss)	<u>\$ (4,119)</u>	<u>\$ 8,756</u>	<u>\$ (3,892)</u>	<u>\$ 8,756</u>
Net income (loss) per share..	<u>\$ (.13)</u>	<u>\$.15</u>	<u>\$ (.12)</u>	<u>\$.29</u>

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ACTIVISION, INC. AND SUBSIDIARIES

SIGNATURES

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 thereunto duly authorized.

ACTIVISION, INC.
Registrant

Date: 11/14/83 [Signature]
James H. Levy
President, Chief Executive Officer, and
Chairman of the Board (Principal Executive
Officer)

Date: 11/14/83 [Signature]
Hervey M. Gillis
Vice President, Finance and Chief Financial
Officer (Principal Financial Officer)

Date: 11/14/83 [Signature]
Edward Roffman
Controller (Principal Accounting Officer)

END

Quick Reference Chart to Contents of SEC Filings

REPORT CONTENTS	10-K	19-K 20-F	10-Q	8-K	10-C	6-K	Proxy Statement	Prospectus	Registration Statements			Listing Application	N-1R	N-10	
									34 Act		33 Act -S- Type				
									F-10	8-A 8-B					
Auditor															
<input type="checkbox"/> Name	A	A						A	A		A	A		A	
<input type="checkbox"/> Opinion	A	A							A					A	
<input type="checkbox"/> Changes				A										A	
Compensation Plans															
<input type="checkbox"/> Equity							F	F	A		F				
<input type="checkbox"/> Monetary								F	A		F				
Company Information															
<input type="checkbox"/> Nature of Business	A	A				F		A	A		A				
<input type="checkbox"/> History	F	A						A			A				
<input type="checkbox"/> Organization and Change	F	F		A		F		A		F	A				
Debt Structure	A					F		A	A		A			A	
Depreciation & Other Schedules	A	A				F		A	A		A				
Dividend Factors	A	A		F		F		A	A		A				
Directors, Officers, Insiders															
<input type="checkbox"/> Identification	F	A				F	A	A	A		A	F			
<input type="checkbox"/> Background		A				F	F	A	A		A				
<input type="checkbox"/> Holdings		A						A	A		A				
<input type="checkbox"/> Compensation		A						A	A		A				
Earnings Per Share	A	A	A			F			A		A			A	
Financial Information															
<input type="checkbox"/> Annual Audited	A	A							A		A			A	
<input type="checkbox"/> Interim Audited		A													
<input type="checkbox"/> Interim Unaudited			A			F		F			F				
Foreign Operations	A							A	A		A			F	
Labor Contracts									F		F				
Legal Agreements	F								F		F				
Legal Counsel								A			A				
Loan Agreements	F		F						F		F				
Plants and Properties	A	F						F	A		F				
Portfolio Operations															
<input type="checkbox"/> Content (Listing of Securities)															A
<input type="checkbox"/> Management															A
Product-Line Breakout	A							A			A				
Securities Structure	A	A						A	A		A				
Subsidiaries	A	A						A	A		A				
Underwriting								A	A		A				
Unregistered Securities								F			F				
Block Movements				F					A						

Legend: A - always included - included - if occurred or significant F - frequently included [shaded box] special circumstances only

TENDER OFFER/ACQUISITION REPORTS	13D	13G	14D-1	14D-9	13E-3	13E-4
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	A
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F