

Business Analysis: Activision Blizzard

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Company Overview

Activision Blizzard, Inc. is a global leader in the creation and distribution of content and facilities for PC games, video game consoles, and games for mobile devices, which include membership, in-game and full-game sales, and content licensing to companies that sell Activision and Blizzard products. Activision Blizzard, Inc. and its affiliates create and publish social gaming products and services in Europe, Africa, the Americas, Asia Pacific, and the Middle East (Activision Blizzard, 2021). The company's three principal divisions are Blizzard Entertainment, Activision Publishing, and King Digital Entertainment.

Battle.net, the company's unique internet gaming platform, allows for online content distribution, social networking, and the development of user-generated material. A few of the corporation's most successful game properties include Candy Crush, Diablo, Overwatch, World of War craft, Call of Duty, and Hearthstone. It also organizes e-sports tournaments, offers online advertising materials, and avails storage, sales and logistics distribution channels to other producers of digital entertainment technologies. Using third-party production and license agreements, it services merchants and distributors such as mass-market shops, electronic goods retailers, bargain stores, and gaming specialist stores (Yahoo Finance, 2021). The company's headquarters are in Santa Monica, California.

Historical Background

Activision Blizzard, Inc. was started in 1979 by four software developers who sought to build a gaming company for consoles. Originally known as "Computer Arts, Inc.," the team changed its name to "Activision" after combining the words "Active" and "Television," culminating in the world's inaugural independent third-party console video game developer. Pitfall was the group's first huge success. After three years, the company was renamed Blizzard Entertainment. Blizzard's first big hit was Warcraft: Orcs & Humans, a real-time puzzle game launched in 1994. The Blizzard technical staff released Battle.net, which was their first free gaming platform that was integrated directly with products gamers were currently utilizing, in 1996. All this started with the release of Diablo, which was an action playing game series (CompaniesHistory, 2021). Utilizing Blizzard's Battle.net network, gamers may play against and with each other in StarCraft's multiplayer games. Infinity Ward and Activision created and published Call of Duty in 2003, an action-adventure game themed in WWII that became one of the most renowned series in history.

In 2008, Activision and Vivendi Gaming, a games division of Vivendi, combined to establish Vivendi Gaming, which is principally responsible for Sierra Entertainment and Blizzard Entertainment. Activision and Blizzard officially merged, bringing together some of the most famous games on consoles and computers. Vivendi held a 52 percent share of the firm, while Blizzard held the executive governance and autonomy following that acquisition. Vivendi Games' Sierra and other companies were shuttered. Candy Crush Saga was released in 2012, and it quickly became one of the most popular mobile gaming series yet. Activision Blizzard stated in 2013 that it had purchased

shares from Vivendi worth, positioning the organization as a self-contained entity with the public owning a majority interest (CompaniesHistory, 2021). Activision Blizzard's majority shareholder would be no longer Vivendi. Activision Blizzard Productions was founded in 2015 as a film production business dedicated to creating television programs series based on the Activision Blizzard brand.

Leadership

Activision Blizzard's Chief Executive Officer is Bobby Kotick. Activision Blizzard has grown into a major multinational creator and distributor of digital entertainment during his stewardship. He also served as Activision's chairman from February 1991 to July 2008, when he was named CEO of the newly formed Activision-Blizzard Corporation. From July 2008 until June 2017, he was President of the organization. In addition, he is a co-founder of the Call of Duty Foundation. This program assists war veterans to obtain quality employment and enhances awareness about the gains that veterans contribute to an organization. He also serves on the boards of directors a few companies including the Coca-Cola Company (Activision Blizzard, 2021). Bobby graduated from the Michigan University and has been acknowledged for various honors, including the Adweek's Top 100 Media Leaders list in 2015

Daniel Alegre, who has been the corporation's chief operating officer since April 2020, is another notable person in the business. Daniel came to Activision Blizzard from Google, where he spent upwards of 16 years driving the company's development and

advancement. He was the President of International Commerce and Shopping at Google. He oversaw efforts to integrate eCommerce into all Google product areas and assisted the company in expanding outside advertisement into the retail transaction sector. Daniel was formerly President of Google's International & Strategic Partners unit. He worked across all the corporation's primary business divisions to build and nurture crucial strategic partnerships with some of the world's leading companies. He collaborates with the management team to extend Activision Blizzard's presence, engagement, and effectiveness, as well as to improve collaboration and efficiency within the firm. He also guarantees that the organization is centered on motivating creation, quality of products, unshakable dedication to gamers while being the most acceptable workplace for exceptional people (Activision Blizzard, 2021). Daniel has a BA in Public and International Affairs with Honors from Princeton University.

Basic Financial Information (Income Statement) (Activision Blizzard, 2021)

US\$ in millions

12 months ended:	December 31, 2020	December 31, 2019
Product sales	2,350	1,975
In-game, subscription, and other revenues	5,736	4,514
Net revenues	8,086	6,489
Product costs	(705)	(656)
Software royalties, amortization, and intellectual property licenses	(269)	(240)
Product sales	(974)	(896)
Game operations and distribution costs	(1,131)	(965)
Software royalties, amortization, and intellectual property licenses	(155)	(233)

In-game, subscription, and other	(1,286)	(1,198)
Cost of revenues	(2,260)	(2,094)
Gross profit	5,826	4,395
Product development	(1,150)	(998)
Sales and marketing	(1,064)	(926)
General and administrative	(784)	(732)
Restructuring and related costs	(94)	(132)
Operating income	2,734	1,607
Interest income	21	79
Interest expense from debt and amortization of debt discount and deferred financing costs	(99)	(90)
Unrealized gain on equity investment	3	38
Other income(expense), net	(12)	(1)
Interest and other income(expense),net	(87)	26
Loss on extinguishment of debt	(31)	—
Income before income tax expense	2,616	1,633
Income tax expense	(419)	(130)
Net income	2197	1503

An examination of this income statement reveals that the company's performance in 2020 was more substantial than in 2019. This is because the company's net income increased over the prior year. After settling all of the company's costs, net earnings shows investors how much profit is generated. As an investor, this is important since it represents the sum of money the firm has access to distribute dividends, buy back stocks, reinvest in the organization, or add to its financial cushion. Increased revenues, such as selling additional services or goods or raising pricing, can help companies boost their net income.

Human Resource Data

Activision Blizzard, Inc.'s entertainment channel has about 500 million visitors per month in 196 countries, and it's still expanding across fresh technologies, disciplines, demographics, and locations. They were formerly listed in "Fortune's" category of "100 Best Companies to Work For." This indicates that the company has a good work environment, which explains their large and diversified staff—the firm employed around 9500 employees as of 2020 (Macrotrends, 2021). In terms of labor practices, the corporation has been sued by its employees for unfair labor practices such as worker intimidation and union-busting, indicating that the company violates several labor regulations (Screenrant, 2021).

Industry Description

The scale of the worldwide video game industry has exploded in recent years. The industry's consistent expansion is predicted to be fueled by technological growth and development in both hardware and software. In the next years, the rising popularity of internet services and the widespread availability of internet gaming throughout the world are likely to boost market development prospects. In the video game industry, game developers are constantly developing and stretching the technological boundaries in terms of actual visual representation, which is expected to fuel growth (Grand view research, 2020).

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