Atari US files for bankruptcy to break from parent (Update)

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Video game maker Atari's U.S. operations have filed for bankruptcy protection in an effort to separate from their French parent company, which is filing a similar motion separately in France.

In a statement, Atari says the move is necessary to secure investments it needs to grow in mobile and downloadable video games.

Atari, which turned 40 last year, was a videogame pioneer with games like "Pong" and "Centipede," but has changed ownership several times amid financial problems.

Atari's U.S. operations have shifted to focus on digital games and licensing, including developing mobile games, and they have become a growth engine for its owner. France's Infogrames Entertainment first took a stake in Atari in 2000. It acquired the remaining stake in 2008 and changed its name to Atari S.A.

But the U.S. operations have been performing better than the rest of the company. In fiscal 2012, digital and licensing revenue both grew significantly and contributed 70 percent of revenue, while sales in bricks-and-mortar stores declined.

In December, Atari S.A. said a credit agreement it entered into with investor BlueBay—its main shareholder and only lender—would lapse at the end of the year and the company was seeking other ways to raise capital. It added that it expects to report a "significant loss" for fiscal
2012.

On Monday, Atari S.A. said it and its European operations would file related bankruptcy procedures in France concurrent with the U.S. bankruptcy filing.

CEO Jim Wilson said the moves were the "best decision to protect the company and its shareholders." The auction process in U.S. bankruptcy proceedings will "maximize the proceeds" going to shareholders, he added.

Creditors include accounting firm Deloitte & Touche, and retail stores Kmart and Wal-Mart Stores, although none are owed more than $250,000. Blue Bay is not listed as one of the U.S. operations' creditors.

In its filing with the U.S. Bankruptcy Court in the Southern District of New York, Atari said it had $1 million to $10 million in assets and $10 million to $50 million in debt. It is seeking approval for $5.25 million in debtor-in-possession financing from investment firm Tenor Capital Management.

Atari said it expects to sell its assets or confirm a restructuring plan within the next three to six months.

Atari S.A., which trades on the Euronext Paris market of NYSE Euronext, has requested trading of its shares be suspended.

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