

BLOCKBUSTER INC  
Form 10-Q  
November 08, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2005

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-15153

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**BLOCKBUSTER INC.**

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(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**52-1655102**  
(I.R.S. Employer  
Identification No.)

**1201 Elm Street**

**Dallas, Texas 75270**

**Telephone 214-854-3000**

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

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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 for 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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**Number of shares of common stock outstanding at November 4, 2005:**

**Class A common stock, par value \$.01 per share: 119,703,075**

**Class B common stock, par value \$.01 per share: 72,000,000**



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**BLOCKBUSTER INC.**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****BLOCKBUSTER INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In millions, except per share amounts)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		<b>Restated</b>		<b>Restated</b>
<b>Revenues:</b>				
Base rental revenues	\$ 1,020.1	\$ 918.1	\$ 3,095.1	\$ 2,811.0
Extended viewing fee revenues	19.4	136.5	70.1	470.6
Total rental revenues	1,039.5	1,054.6	3,165.2	3,281.6
Merchandise sales	327.7	333.0	1,114.0	987.1
Other revenues	19.1	22.4	54.6	65.6
	<u>1,386.3</u>	<u>1,410.0</u>	<u>4,333.8</u>	<u>4,334.3</u>
<b>Cost of sales:</b>				
Cost of rental revenues	346.1	294.8	1,046.8	917.0
Cost of merchandise sold	249.7	253.4	861.9	760.5
	<u>595.8</u>	<u>548.2</u>	<u>1,908.7</u>	<u>1,677.5</u>
Gross profit	<u>790.5</u>	<u>861.8</u>	<u>2,425.1</u>	<u>2,656.8</u>
<b>Operating expenses:</b>				
General and administrative	682.7	708.3	2,147.4	2,078.1
Advertising	52.3	70.3	227.1	164.7
Depreciation and intangible amortization	58.3	64.1	174.8	187.7
Impairment of goodwill and other long-lived assets	347.6	1,504.4	356.8	1,504.4
	<u>1,140.9</u>	<u>2,347.1</u>	<u>2,906.1</u>	<u>3,934.9</u>
<b>Operating loss</b>	<b>(350.4)</b>	<b>(1,485.3)</b>	<b>(481.0)</b>	<b>(1,278.1)</b>
Interest expense	(27.2)	(9.7)	(70.0)	(18.3)
Interest income	0.9	1.2	2.8	2.6
Other items, net	0.3	0.4	(2.8)	(0.6)

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<b>Loss before income taxes</b>	(376.4)	(1,493.4)	(551.0)	(1,294.4)
Benefit (provision) for income taxes	(115.0)	78.8	(55.1)	42.8
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net loss</b>	<b>\$ (491.4)</b>	<b>\$ (1,414.6)</b>	<b>\$ (606.1)</b>	<b>\$ (1,251.6)</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net loss per share:</b>				
Basic	\$ (2.67)	\$ (7.81)	\$ (3.30)	\$ (6.91)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted	\$ (2.67)	\$ (7.81)	\$ (3.30)	\$ (6.91)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Weighted-average common shares outstanding:</b>				
Basic	183.8	181.1	183.8	181.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted	183.8	181.1	183.8	181.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash dividends per common share</b>	<b>\$</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.06</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Special distribution per common share</b>	<b>\$</b>	<b>\$ 5.00</b>	<b>\$</b>	<b>\$ 5.00</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

**Table of Contents****BLOCKBUSTER INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In millions, except per share amounts)**

	<b>September 30, 2005</b>	<b>December 31, 2004</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 190.2	\$ 330.3
Receivables, less allowances of \$6.6 and \$14.5 for 2005 and 2004, respectively	114.8	177.8
Merchandise inventories	352.2	516.6
Prepaid and other current assets	229.3	193.0
	<u>886.5</u>	<u>1,217.7</u>
Total current assets	886.5	1,217.7
Rental library, net	460.0	457.6
Property and equipment, net	744.4	854.0
Deferred income taxes	46.1	87.0
Intangibles, net	27.8	34.5
Goodwill	809.0	1,138.5
Other assets	56.6	74.1
	<u>\$ 3,030.4</u>	<u>\$ 3,863.4</u>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 467.4	\$ 721.8
Accrued expenses	603.9	697.3
Current portion of long-term debt	890.0	5.8
Current portion of capital lease obligations	16.4	19.7
Deferred income taxes	11.8	4.8
	<u>1,989.5</u>	<u>1,449.4</u>
Total current liabilities	1,989.5	1,449.4
Long-term debt, less current portion	300.0	1,044.9
Capital lease obligations, less current portion	65.3	74.8
Other liabilities	209.7	231.4
	<u>2,564.5</u>	<u>2,800.5</u>
Commitments and contingencies (Note 5)		
Stockholders equity:		
Preferred stock, par value \$0.01 per share; 100.0 shares authorized; no shares issued or outstanding		
Class A common stock, par value \$0.01 per share; 400.0 shares authorized; 111.8 and 111.7 shares issued and outstanding for 2005 and 2004, respectively	1.1	1.1
Class B common stock, par value \$0.01 per share; 500.0 shares authorized; 72.0 shares issued and outstanding for 2005 and 2004	0.7	0.7
Additional paid-in capital	5,357.4	5,336.7
Retained deficit	(4,854.4)	(4,248.3)

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Accumulated other comprehensive loss	(38.9)	(27.3)
Total stockholders' equity	465.9	1,062.9
	\$ 3,030.4	\$ 3,863.4

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



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**BLOCKBUSTER INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(In millions)**

	<b>Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
		<b>Restated</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (606.1)	\$ (1,251.6)