

BLOCKBUSTER INC
Form 10-Q
May 14, 2003
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 March 31, 2003

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

BLOCKBUSTER INC.

(Exact name of registrant as specified in its charter)

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)

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

Number of shares of common stock outstanding at May 1, 2003:

Class A common stock, par value \$.01 per share: 35,763,744

Class B common stock, par value \$.01 per share: 144,000,000

Table of Contents

BLOCKBUSTER INC.

INDEX TO FORM 10-Q

	Page
PART I FINANCIAL INFORMATION	
Item 1. <u>Consolidated Financial Statements</u>	
<u>Consolidated Statements of Operations (Unaudited) for the Three Months Ended March 31, 2002 and March 31, 2003</u>	3
<u>Consolidated Balance Sheets at December 31, 2002 and March 31, 2003 (Unaudited)</u>	4
<u>Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2002 and March 31, 2003</u>	5
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
Item 4. <u>Controls and Procedures</u>	22
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	23
Item 6. <u>Exhibits and Reports on Form 8-K</u>	24

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)

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	Three Months Ended March 31,	
	2002	2003
Revenues:		
Rental revenues	\$ 1,110.1	\$ 1,195.5
Merchandise sales	193.7	298.9
Other revenues	22.2	23.4
	<u>1,326.0</u>	<u>1,517.8</u>
Cost of sales:		
Cost of rental revenues	374.3	383.8
Cost of merchandise sold	153.2	247.9
	<u>527.5</u>	<u>631.7</u>
Gross profit	<u>798.5</u>	<u>886.1</u>
Operating expenses:		
Selling, general and administrative	623.2	675.7
Depreciation	55.5	61.4
Amortization of intangibles	0.4	0.3
	<u>679.1</u>	<u>737.4</u>
Operating income	<u>119.4</u>	<u>148.7</u>
Interest expense	(12.6)	(10.7)
Interest income	1.1	0.8
Other items, net	(1.7)	(0.4)
	<u>106.2</u>	<u>138.4</u>
Income before income taxes	<u>106.2</u>	<u>138.4</u>
Provision for income taxes	(40.4)	(52.8)
Equity in income (loss) of affiliated companies, net of tax	0.2	(0.7)
	<u>66.0</u>	<u>84.9</u>
Income before cumulative effect of change in accounting principle	<u>66.0</u>	<u>84.9</u>
Cumulative effect of change in accounting principle, net of tax	(1,817.0)	(4.4)
	<u>\$ (1,751.0)</u>	<u>\$ 80.5</u>
Net income (loss)	<u>\$ (1,751.0)</u>	<u>\$ 80.5</u>
Income per share before cumulative effect of change in accounting principle:		
Basic and diluted	<u>\$ 0.37</u>	<u>\$ 0.47</u>
Cumulative effect of change in accounting principle per share:		
Basic	<u>\$ (10.25)</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ (10.08)</u>	<u>\$ (0.02)</u>
Net income (loss) per share:		
Basic	<u>\$ (9.88)</u>	<u>\$ 0.45</u>
Diluted	<u>\$ (9.72)</u>	<u>\$ 0.45</u>

Weighted-average shares outstanding:		
Basic	177.3	179.6
	<u> </u>	<u> </u>
Diluted	180.2	180.1
	<u> </u>	<u> </u>
Cash dividends per common share	\$ 0.02	\$ 0.02
	<u> </u>	<u> </u>

See notes to unaudited consolidated financial statements.

3

Table of Contents

BLOCKBUSTER INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	December 31,	March 31,
	2002	2003
	<u> </u>	<u> </u>
		(Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 152.5	\$ 133.7
Receivables, less allowances of \$7.4 and \$8.7 for 2002 and 2003, respectively	184.8	160.3
Merchandise inventories	452.1	366.6
Prepaid assets and other current assets	169.5	151.7
	<u> </u>	<u> </u>
Total current assets	958.9	812.3
Rental library	423.1	358.7
Receivable from Viacom, net	23.0	
Property and equipment, net	874.9	842.7
Intangibles, net	27.4	27.2
Goodwill	3,883.5	3,885.1
Other assets	53.0	55.0
	<u> </u>	<u> </u>
	\$ 6,243.8	\$ 5,981.0
	<u> </u>	<u> </u>
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 757.0	\$ 423.0
Accrued expenses	582.6	528.2
Current portion of long-term debt	109.8	211.0

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Current portion of capital lease obligations	23.0	21.9
Payable to Viacom, net		18.9
Deferred taxes	5.2	5.2
	<u> </u>	<u> </u>
Total current liabilities	1,477.6	1,208.2
Long-term debt, less current portion	328.9	253.2
Capital lease obligations, less current portion	79.8	76.4
Deferred taxes	116.0	124.2
Other liabilities	74.5	72.2
	<u> </u>	<u> </u>
	2,076.8	1,734.2
	<u> </u>	<u> </u>
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 100.0 shares authorized; no shares issued or outstanding		
Class A common stock, par value \$.01 per share; 400.0 shares authorized; 35.6 and 35.7 shares issued and outstanding for 2002 and 2003, respectively		
	0.4	0.4
Class B common stock, par value \$.01 per share; 500.0 shares authorized; 144.0 shares issued and outstanding		
	1.4	1.4
Additional paid-in capital	6,220.8	6,217.7
Retained deficit	(1,954.7)	(1,874.3)
Accumulated comprehensive loss	(100.9)	(98.4)
	<u> </u>	<u> </u>
Total stockholders' equity	4,167.0	4,246.8
	<u> </u>	<u> </u>
	\$ 6,243.8	\$ 5,981.0
	<u> </u>	<u> </u>