

BLOCKBUSTER INC
Form 10-Q
August 09, 2004
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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 June 30, 2004

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)

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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)

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 July 31, 2004:

Class A common stock, par value \$.01 per share: 37,113,738

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

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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)**

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2003	2004	2003	2004
Revenues:				
Rental revenues	\$ 1,095.1	\$ 1,076.0	\$ 2,290.6	\$ 2,227.0
Merchandise sales	275.1	323.2	574.0	654.1
Other revenues	22.0	22.0	45.4	43.2
	<u>1,392.2</u>	<u>1,421.2</u>	<u>2,910.0</u>	<u>2,924.3</u>
Cost of sales:				
Cost of rental revenues	329.6	297.5	713.4	622.2
Cost of merchandise sold	219.4	252.3	467.3	507.1
	<u>549.0</u>	<u>549.8</u>	<u>1,180.7</u>	<u>1,129.3</u>
Gross profit	<u>843.2</u>	<u>871.4</u>	<u>1,729.3</u>	<u>1,795.0</u>
Operating expenses:				
General and administrative	645.4	690.2	1,289.9	1,379.3
Advertising	30.9	44.4	62.1	94.4
Depreciation	61.4	59.8	122.8	118.9
Amortization of intangibles	0.2	0.7	0.5	1.2
	<u>737.9</u>	<u>795.1</u>	<u>1,475.3</u>	<u>1,593.8</u>
Operating income	105.3	76.3	254.0	201.2
Interest expense	(9.0)	(4.0)	(19.7)	(8.6)
Interest income	0.8	0.7	1.6	1.4
Other items, net	3.5	(0.4)	3.1	(1.0)
Income before income taxes	<u>100.6</u>	<u>72.6</u>	<u>239.0</u>	<u>193.0</u>

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Provision for income taxes	(39.4)	(25.8)	(92.2)	(33.6)
Equity in loss of affiliated companies, net of tax			(0.7)	
Income before cumulative effect of change in accounting principle	61.2	46.8	146.1	159.4
Cumulative effect of change in accounting principle, net of tax			(4.4)	
Net income	\$ 61.2	\$ 46.8	\$ 141.7	\$ 159.4
Income per share before cumulative effect of change in accounting principle:				
Basic	\$ 0.34	\$ 0.26	\$ 0.81	\$ 0.88
Diluted	\$ 0.34	\$ 0.26	\$ 0.81	\$ 0.88
Cumulative effect of change in accounting principle per share:				
Basic	\$	\$	\$ (0.02)	\$
Diluted	\$	\$	\$ (0.02)	\$
Net income per share:				
Basic	\$ 0.34	\$ 0.26	\$ 0.79	\$ 0.88
Diluted	\$ 0.34	\$ 0.26	\$ 0.79	\$ 0.88
Weighted-average shares outstanding:				
Basic	179.8	181.1	179.7	181.0
Diluted	180.6	181.6	180.4	181.8
Cash dividends per common share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.04

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

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(In millions, except per share amounts)

	December 31, 2003	June 30, 2004 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 233.4	\$ 123.2
Receivables, less allowances of \$13.0 and \$16.2 for 2003 and 2004, respectively	183.7	149.5
Merchandise inventories	415.1	408.2
Prepaid assets and other current assets	128.1	196.2
	<u>960.3</u>	<u>877.1</u>
Total current assets	960.3	877.1
Rental library	354.4	365.3
Receivable from Viacom, net	7.9	13.1
Property and equipment, net	815.8	810.7
Intangibles, net	34.4	35.8
Goodwill	2,627.7	2,637.1
Other assets	54.4	43.3
	<u>\$ 4,854.9</u>	<u>\$ 4,782.4</u>
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 565.1	\$ 488.4
Accrued expenses	614.6	528.2
Current portion of long-term debt	124.1	52.1
Current portion of capital lease obligations	20.7	20.8
Deferred taxes	3.3	3.3
	<u>1,327.8</u>	<u>1,092.8</u>
Total current liabilities	1,327.8	1,092.8
Long-term debt	0.7	
Capital lease obligations	74.4	73.0
Deferred taxes	48.0	82.6
Other liabilities	154.7	129.2
	<u>1,605.6</u>	<u>1,377.6</u>
	1,605.6	1,377.6
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; 36.9 and 37.1 shares issued and outstanding for 2003 and 2004, 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

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Additional paid-in capital	6,227.3	6,222.8
Retained deficit	(2,938.6)	(2,779.2)
Accumulated other comprehensive loss	(41.2)	(40.6)
	<u> </u>	<u> </u>
Total stockholders' equity		