

Dish Network Buys Blockbuster for \$320 Million

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Dish Network Corp won Blockbuster Inc in a bankruptcy auction for about \$320 million, boosting the satellite TV provider's online features and marketing reach.

Dish, the second-largest U.S. satellite TV company after DirecTV, trumped at least three other bidders, including activist investor Carl Icahn, for the one-time leader in video rentals.

Dish said the deal, which includes more than 1,700 Blockbuster stores, gives it new ways to market its services. The satellite company could use Blockbuster's online business as a base for delivering movies, analysts said.

The deal marks the second purchase of a bankrupt company by Dish.

Last month, Dish got a nod from a bankruptcy court to buy hybrid satellite and land-based communications company DBSD North America for about \$1.4 billion.

Dish chairman Charlie Ergen struck his first deal of the year in February when digital set-top box maker EchoStar Corp, where he is also the chairman, agreed to buy Hughes Communications, one of the world's largest providers of broadband satellite services, for \$1.33 billion.

Dish Network expects to pay about \$228 million in cash to acquire Blockbuster. The money will go toward paying off the company's creditors, which include Icahn and other bondholders as well as movie studios, who are owed more than a combined \$1 billion.

David Berliner, a turnaround advisor for BDO Consulting said the deal reminded him of Cablevision's purchase of The Wiz electronics stores as a way to sell its cable TV subscriptions.

Blockbuster has a similar agreement with Comcast Corp to install kiosks in its stores to sign up customers for the cable company's television service, which competes with Dish.

Berliner said new management with a background in satellite technology could breathe new life into the Blockbuster business.

"Maybe they can do an even better job with Blockbuster online in terms of deals with steaming video," said Berliner.

While Dish will likely absorb some initial losses from the stores, Berliner said the deal has upside.

"They have to continue to move gradually out of bricks and mortar store and get more into online and take advantage of that opportunity," Berliner said.

Blockbuster had a market cap of more than \$5 billion at its peak in 2002, but came under pressure from mail-order and digital competitors such as Netflix Inc.

Blockbuster filed for bankruptcy in September with a proposal to exit bankruptcy under the control of a group of investors that included Icahn and several hedge funds.

However, those investors never agreed on a business plan and after poor holiday sales, they withdrew their backing and Blockbuster was put on the auction block.