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Blockbuster struggles to combat revenue loss - Gamestation up for sale?

By Paul Loughrey

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Analysts predict the sale of non-core operations including retail chains Gamestation, Game Rush and Rhino Games as US rental giant Blockbuster focuses on in-store and online rental services following worse than expected Q3 results.

Rental giant Blockbuster may be about to put retail chain GameStation up for sale as part of plans to streamline the business, following third quarter net losses of USD 491.4 million, according to trade magazine MCV.

GamesIndustry.biz followed up the report by obtaining a statement from Blockbuster, which read: "Blockbuster US has said that it is focused on two things: growing its share of the store-based rental business and growing Blockbuster Online," the company said in a statement.

Although Gamestation was not mentioned specifically, the statement did confirm that: "In support of this more focused approach to its business the Company is exploring its options in regards to certain assets, primarily non-Blockbuster-branded assets like DEJ Productions, the company's movie acquisition and distribution subsidiary."

"The Company has also said it would consider the sale of some or all of its international markets and brands under the right set of circumstances. However, there have been no definitive decisions reached in regards to International."

The third quarter net losses came as a huge blow for the company, as did an SEC filing which confirmed that "a very large majority" of Blockbuster's assets were pledged as collateral on loans. The company now plans to focus on rental services, and analysts have predicted the sale of non-core operations Game Rush and Rhino Games as well as Gamestation.

"We are in the process of taking significant steps to improve our financial flexibility by raising capital, lowering our overall cost structure, reducing capital spending and divesting certain non-core assets," said Blockbuster CEO John Antioco.

Gamestation was acquired by Blockbuster in 2003 and currently operates with more than 200 branches across the UK, plus an online store. The company declined to comment on rumours of a possible sale, telling GamesIndustry.biz: "We believe Gamestation will benefit from the growth of new hardware platforms and the strong market performance of PS2 and Nintendo DS and GBA."

"We are currently undertaking a unique and exciting 2005 Christmas campaign and will continue to focus on a long term growth strategy."

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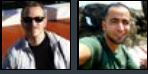
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