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Dish expands its scope with Blockbuster win

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By Tom Hals and Liana B. Baker

WILMINGTON, Del./NEW YORK | Wed Apr 6, 2011 5:39pm EDT

(Reuters) - Dish Network Corp won Blockbuster Inc in a bankruptcy auction for \$320 million, further broadening its business beyond satellite TV and setting up a possible showdown with [Netflix](#).

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,

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gives it new ways to market its services.

The deal covers "substantially all" of the rental chain's business, and likely gives Dish the rights Blockbuster had to stream movies over the Internet, the Blockbuster brand name and customer lists.

Dish declined to comment beyond its news release. A court hearing to approve the sale is scheduled for Thursday.

"This is very clever," said Todd Mitchell, an analyst with Kaufman Brothers. "Dish can transition Blockbuster from a **retail** to a streaming model so you have basically a Netflix-like offering."

Shares of Dish ended one cent higher, while Netflix Inc's stock slid nearly 2 percent.

The deal follows two others this year led by Dish Chairman and CEO Charlie Ergen that could transform the company into a major provider of on-demand video through its satellite system and eventually over a wireless network for handheld devices, according to analysts.

Dish is expanding its broadband spectrum by acquiring DBSD North America for about \$1.4 billion.

Digital set-top box maker **EchoStar Corp**, where Ergen is also chairman, has announced it is buying Hughes Communications, which Mitchell said could one day provide technology to create a wireless network.

Together, the deals could give Dish the **tools** it needs to deliver movies to phones and iPads and compete with Netflix, which streams most of its videos over the Internet.

"Young people are downloading increasing amounts of content direct to handheld devices. The iPhone is at the forefront of a new generation of devices that are revolutionary because you don't have to plug them into the computer to receive content," said David Pauker, a turnaround specialist with Goldin Associates.

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Dish expects to pay about \$228 million in cash to acquire Blockbuster's assets, which as of February 27 included more than \$100 million of receivables and cash and a rental library estimated to be worth \$175 million.

The money will go toward paying off the company's creditors, which include Icahn and other bondholders as well as movie studios. The creditors are owed more than a \$1 billion.

It is a dramatic fall for Blockbuster. Mail-order and then digital competitors have steadily eaten into its business, which at its peak in 2002 had a market value of \$5 billion.

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

Blockbuster currently has a similar agreement with Dish rival Comcast Corp, which has kiosks in some stores.

When Blockbuster filed for bankruptcy in September it said it had about 1.3 million subscribers for its monthly or annual rental services. Netflix has more than 20 million for its mail-order delivery of movies.

Dish is expected to continue to close Blockbuster stores, which have already been cut nearly in half during its six months in bankruptcy. Landlords such as [Simon Property Group Inc](#) were quick to object to the sale and wanted assurances Dish will continue paying rent.

When Blockbuster filed for bankruptcy it originally proposed to emerge under the control of a group of investors that included Icahn and several [hedge funds](#).



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However, those investors never agreed on a business plan and after poor holiday sales Blockbuster was put up for sale.

Icahn has long been an investor in Blockbuster, but resigned from the board last year. He recently wrote in a letter to the Harvard Business Review that Blockbuster was the "worst investment I ever made."

Dish shares ended up 1 cent to \$24.32 on [Nasdaq](#) on Wednesday, while shares of Netflix fell 1.7 percent to \$239.97 also on Nasdaq.

The case is in re: Blockbuster Inc, U.S. bankruptcy Court, Southern District of New York, No 10-14997.

(Additional reporting by Sakthi Prasad and Supantha Mukherjee in Bangalore; Editing by Derek Caney, Richard Chang and Tim Dobbyn)

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thelastford wrote:

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Eideard wrote:

Charlie knows the demographics of his customer base better than most – but, I think this is about the silliest waste of money in the history of DISH.

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starlight7 wrote:

i guess Dish know the strategy to win this game.....but that still a lot of money :)

peace,
<http://goodnewsbadnews.blogspot.com>

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