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Blockbuster, Inc. F1Q09 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Analyst for Rich Ingrassia – Roth Capital Partners.

Analyst for Rich Ingrassia – Roth Capital Partners

A question on the cap ex, under the amended credit facility I believe you're restricted to \$30 million for FY '09 and then \$40 million for FY '10. Could you just give us a reasonable maintenance cap ex figure?

Thomas M. Casey

That is basically maintenance cap ex level.

Analyst for Rich Ingrassia – Roth Capital Partners

How does that push back the transition to the rock the Block model?

Thomas M. Casey

The rock the Block model, we're pleased with the progress that we've made but let's face it, in these capital markets, very few companies are going to be expanding initiatives that generate 12% to 15% internal rate of return when the cost of capital is significantly higher than that. So, we like many other companies are going to be on the sidelines waiting for credit markets to return to more normal levels.

As we referenced in this new facility, we have the opportunity to refinance should the credit markets improve without penalty. So, for a while, rock the Block is on the sidelines. But, I did mention and I want to call your attention to the other initiatives, the digital initiatives and the vending initiatives are both set up to engage strategic alliance partners with significantly better balance sheets than ours. NCR for example, is a very strong cash position and is very anxious to invest in the vending and partner with us to leverage the strength of our brand. So, we don't think it's going to hold us back at all. We're temporarily going to postpone the store initiatives but full speed ahead on our vending initiatives and our digital initiatives.

Analyst for Rich Ingrassia – Roth Capital Partners

Also, could you elaborate on the initial response to you've had to the video games by mail program you announced in February?

James W. Keyes

It's in one market and it's a relatively limited offering. So, we really don't have much to say about it now. We're learning a lot from it and we do hope to expand it but it's too early to give any results.

Operator

Your next question comes from Arvind Bhatia – Sterne Agee.

Arvind Bhatia – Sterne Agee

I just quickly wanted to understand the international divestiture a little bit more. You talked about a \$100 million potentially from such a sale. What kind of EBITDA impact would that be? And, is that already contemplated in to the 2009 guidance? I guess what I'm getting at is if you were successful in selling some of the international assets would we then at that point expect EBITDA guidance to be changed?

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