BLOCKBUSTER INC
Form 8-K
September 12, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) September 12, 2007

BLOCKBUSTER INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**001-15153**	**52-1655102**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

1201 Elm Street Dallas, Texas	**75270**
(Address of principal executive offices)	**(Zip Code)**

(214) 854-3000

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Employment Agreement with Thomas Casey

The Blockbuster Inc. (Blockbuster or the Company) Board of Directors (the Board) has appointed Thomas Casey as Executive Vice President and Chief Financial Officer of Blockbuster, effective as of September 12, 2007. Mr. Casey replaces Larry J. Zine, whose employment with Blockbuster will cease effective September 30, 2007. A copy of the press release dated September 12, 2007 announcing Mr. Casey s appointment is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

Mr. Casey, age 49, formerly served as managing director for Deutsche Bank Securities, Inc. where he was responsible for the bank s retail industry relationships in North America and, in that capacity over the course of the past nine years, served as a strategic financial advisor to some of the world s largest companies in the retail entertainment, food and drug, convenience store, food wholesale and foodservice industries.

In connection with Mr. Casey s appointment as Executive Vice President and Chief Financial Officer, Blockbuster and Mr. Casey entered into an employment agreement. Pursuant to the employment agreement, Mr. Casey s employment commenced on September 12, 2007 (the Effective Date), and the term of the employment agreement is three years. Mr. Casey will receive an annual salary, to be determined by the Board, of not less than $500,000.00 per year and will be entitled to receive, in addition to his base salary, an annual bonus at a target of 60% of his base salary in accordance with the terms of the Company s Senior Executive Annual Performance Bonus Plan (the Senior Bonus Plan). With respect to the bonus applicable to calendar year 2007, Mr. Casey will receive a guaranteed bonus in an amount equal to $100,000.00, although Mr. Casey may receive a higher bonus if he is so entitled pursuant to the terms of the Senior Bonus Plan. Mr. Casey also received a sign-on bonus of $200,000.00 upon execution of the employment agreement. A pro-rata portion of the sign-on bonus is required to be repaid by Mr. Casey should he incur a voluntary or for cause termination, each as defined in the employment agreement, prior to the one year anniversary of the Effective Date.

Pursuant to the employment agreement, on the Effective Date, Mr. Casey will also receive stock options to purchase 1,500,000 shares of the Company s Class A common stock (the Common Stock). Such stock options will vest over a three-year period, with one-third of the stock options vesting on each anniversary of the Effective Date, and will expire on the fifth anniversary of the Effective Date. One-third of the stock options will be granted at an exercise price equal to the closing market price of the Common Stock on the Effective Date; one-third of the stock options will be granted at an exercise price equal to the closing market price of the Common Stock on the Effective Date multiplied by 115%; and one-third of the stock options will be granted at an exercise price equal to the closing market price of the Common Stock on the Effective Date multiplied by 132%. In addition to his eligibility to participate in or receive benefits under any employee benefit plan, program or arrangement currently available to other executives of the Company, Mr. Casey will be entitled to receive an executive-level relocation package to Dallas, Texas (consistent with the Company s relocation policy for executives), an automobile allowance of $300.00 per month, and automobile insurance coverage for one vehicle.

If Mr. Casey s employment is terminated for cause, as defined in the employment agreement, due to his voluntary termination, as defined in the employment agreement, or due to his death or disability, he will be entitled to (a) receive payment of any unpaid base salary through the date of termination, (b) receive payment for any vacation time accrued and unused as of the date of termination, pursuant to Company policy, and (c) exercise his vested stock options in accordance with the terms of Blockbuster s 2004 Long-Term Management Incentive Plan (the 2004 Plan), and all unvested stock options will be forfeited.

If Mr. Casey s employment is terminated due to an involuntary termination, as defined in the employment agreement, he will be entitled to (a) receive payment of any unpaid base salary through the date of termination, (b) receive payment for any vacation time accrued and unused as of the date of termination, pursuant to Company policy, (c) exercise his vested stock options in accordance with the terms of the 2004 Plan, and all unvested stock options will be forfeited, and (d) receive a lump sum payment equal to twelve months worth of his base salary, as in effect on the date of termination.

The employment agreement also contains customary non-disclosure/non-disparagement and non-competition provisions.

The foregoing description of the employment agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the employment agreement, a copy of which is filed as Exhibit 10.1 hereto and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Employment Agreement between Blockbuster Inc. and Thomas Casey, effective September 12, 2007
99.1	Press release, dated September 12, 2007

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BLOCKBUSTER INC.

Date: **September 12, 2007**

By: /s/ Mary Bell
Mary Bell

Senior Vice President, Finance & Accounting,

Corporate Treasurer and Assistant Secretary

EXHIBIT INDEX

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pt"> 2.0
FFO/debt (%)
21.9 21.0 31.2 42.5
Cash flow from operations/debt (%)
35.2 26.8 39.6 40.3
Free operating cash flow/debt (%)
24.6 20.0 27.0 20.0
Discretionary cash flow/EBITDA (%)
87.4 61.5 (4.7) 0.8
Total debt/debt plus equity (%)
84.3 88.3 78.7 54.8

Financial Risk

Continued deleveraging, “adequate” liquidity and continued moderate financial policy

We believe that the company’s financial risk profile is based on the following characteristics: continued gradual debt reduction, a leverage level consistent with the current rating, expressed in an adjusted debt-to-EBITDA ratio of about 3.6x and an FFO-to-debt ratio of about 21% in 2013 that we believe will not drop below 20% in 2014-2015; “adequate” liquidity; and continued generation of positive free cash flows over an extended period. The financial risk profile is also supported by the company’s conservative policy in managing liquidity and financial risk, and its good access to credit sources.

On the other hand, we note that these positive characteristics are mitigated by continued price competition, expressed, among other things, by a continuous decline in ARPU and high churn rates, as described above. Although we believe that the competition in the mobile services market will become somewhat more moderate in the medium term, we assume that cellular companies, including Partner, will not attain the same levels of profitability as prior to the entry of the new service providers.

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Partner Communications Co. Ltd

S&P Base-Case Cash Flow And Capital Structure Scenario

Given our operating scenario and the current level of debt, we expect the company's performance in 2014 to support the coverage ratios we consider to be commensurate with the current rating, i.e. adjusted debt-to-EBITDA of about 3.5x and adjusted EBITDA-to-revenues of more than 25%.

We are basing our estimate on:

A certain moderation in the competition in the mobile communication market in the medium term.

No expected significant change in the level of capital investments, since the company has already completed its investments in 4G infrastructure.

Cutting general and administrative expenses.

Table 2.

Partner Communications Co. Ltd. -- Financial Summary

Industry Sector: Wireless Communications

	2013	2012	2011	2010	2009
(Mil. NIS)	--Fiscal year ended Dec. 31--				
Revenues	4,519.0	5,572.0	6,998.0	6,674.0	6,079.0
EBITDA	1,268.0	1,739.5	2,409.5	2,734.0	2,446.9
Funds from operations (FFO)	988.9	1,319.8	1,739.4	2,055.4	1,862.4
Net income from continuing operations	135.0	478.0	443.0	1,243.0	1,141.0
Cash flow from operations	1,589.7	1,763.9	1,306.2	1,974.5	1,978.8
Capital expenditures	482.0	500.0	504.0	466.0	757.0
Free operating cash flow	1,107.7	1,263.9	802.2	1,508.5	1,221.8
Dividends paid	0.0	167.0	659.0	1,209.0	986.0
Discretionary cash flow	1,107.7	1,096.9	143.2	299.5	235.8
Debt	4,511.2	5,316.5	6,346.6	4,783.0	3,403.3
Debt and equity	5,351.5	6,020.0	6,773.9	5,409.0	5,365.3
Adjusted ratios					
Annual revenue growth (%)	(18.9)	(20.4)	4.9	9.8	(3.5)
EBITDA margin (%)	28.1	31.2	34.4	41.0	40.3
EBITDA interest coverage (x)	4.9	6.2	6.4	10.3	9.2
Debt/EBITDA (x)	3.6	3.1	2.6	1.7	1.4
FFO/debt (%)	21.9	24.8	27.4	43.0	54.7
Cash flow from operations/debt (%)	35.2	33.2	20.6	41.3	58.1

Free operating cash flow/debt (%)	24.6	23.8	12.6	31.5	35.9
Discretionary cash flow/EBITDA (%)	87.4	63.1	5.9	11.0	9.6
Debt/debt and equity (%)	84.3	88.3	93.7	88.4	63.4

NIS- New Israeli Shekel.

Partner Communications Co. Ltd

Liquidity: Adequate

The company's liquidity is "adequate", according to our criteria, considering the amount of cash in hand, the good cash flow generating ability and the proactive liquidity policy. We estimate that the company's sources to uses ratio will be about 1.4x in 2014-2015. In accordance with our methodology, our scenario does not include uncertain debt issuances (such as bond issues), but we believe that the company enjoys good access to a variety of financing sources in the local capital market.

In our base-case scenario we assume that the company's principal sources and uses from April 2014, until December 31, 2015, are as follows:

Principal Liquidity Sources	Principal Liquidity Uses
About NIS 0.5 billion in cash and marketable financial assets.	About NIS 0.4 billion in debt maturities.
Operating cash flow of about NIS 1.3 billion.	About NIS 0.9 billion in capital expenditures (including investments in LTE infrastructure and in OTT TV).

Partner Communications Company Ltd. – Debt Maturities					
(NIS billion)	2014	2015	2016	2017	2018 and thereafter
Maturities	0.3	0.3	0.7	0.7	1.4

Modifiers

Diversification portfolio effect: Neutral

Capital structure: Neutral

Liquidity: Neutral

Financial policy: Neutral

Management/Governance: Neutral

Comparable ratings analysis: Neutral

Partner Communications Co. Ltd

Reconciliation

In order to create a basis for comparison with other rated companies, we adjust the data reported in the company's financial statements which we use to calculate coverage ratios. The main adjustments we made on Partner's 2013 consolidated data are:

- Neutralizing excess cash, as we define it, from reported financial debt .
- Discounting long-term leases and adding them to reported debt.
- Pension adjustments for the financial debt and equity.
- Adjusting financial debt for legal claims.
- Adjusting financial debt for accounts receivable discounted.

Table 3.

Reconciliation Of Partner Communications Co. Ltd. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. NIS)

	--Fiscal year ended Dec. 31, 2013--						
Partner Communications Co. Ltd. reported amounts							
	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	EBITDA	Cash flow from operations
Reported	3,481.0	874.0	1,109.0	409.0	171.0	1,109.0	1,539.0
Standard & Poor's adjustments							
Interest expense (reported)	--	--	--	--	--	(171.0)	--
Interest income (reported)	--	--	--	--	--	29.0	--
Current tax expense (reported)	--	--	--	--	--	(46.0)	--
Trade receivables securitizations	272.0	--	--	--	17.8	(17.8)	49.0
Operating leases	1,023.2	--	233.0	68.5	68.5	164.5	164.5
compensation	33.8	(33.8)	--	--	1.5	(4.8)	10.2
Surplus cash	(360.8)	--	--	--	--	--	--
Share-based compensation expense	--	--	5.0	--	--	5.0	--
Non-operating income (expense)	--	--	--	29.0	--	--	--
flows	--	--	--	--	--	--	(173.0)
Debt - Litigation	62.0	--	--	--	--	--	--
EBITDA - Other	--	--	(79.0)	(79.0)	--	(79.0)	--
Total adjustments	1,030.2	(33.8)	159.0	18.5	87.7	(120.1)	50.7
Standard & Poor's adjusted amounts							
	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations
Adjusted	4,511.2	840.3	1,268.0	427.5	258.7	988.9	1,589.7

Partner Communications Co. Ltd

Related Criteria And Research

- “Corporate Methodology”, November 19, 2013;
- “Corporate Methodology: Ratios and Adjustments”, November 19, 2013;
- “Methodology and Assumptions: Liquidity Descriptors for Global Corporate Issuers”, November 19, 2013.
- “Methodology: Management and Governance Credit Factors for the Corporate Entities and Insurers”, November 19, 2012.
- “Methodology: The Connection Between The Global And Local Rating Scales”, February 2010.
- “Key Credit Factors For Real Estate Industry”, November 19, 2013;

All articles can be found on the S&P website, www.standardanpoors.com, or on the S&P Maalot website, www.maalot.co.il.

Rating Details (As of 18-August-2014)	
Partner Communications Co. Ltd.	
Issuer rating	ilAA-/Stable
Series B to E bonds	ilAA-
Rating history	
20-June-2013	ilAA-/Stable
6-Dec-2012	ilAA-/Negative
10-Sep-2012	ilAA-/Watch Negative
19-Oct-2010	ilAA-/Negative
5-Oct-2009	ilAA-/Stable

Standard & Poor's Maalot ratings are based on information received from the Company and from other sources that Standard & Poor's Maalot believes to be reliable. Standard & Poor's Maalot does not audit the information it receives nor does it verify the correctness or completeness of such information.

It is hereby clarified that Standard & Poor's Maalot rating does not reflect risks relating to and/or arising from breaches, through intent or oversight, of any of the obligations included in the bond documents and/or the incorrectness or inaccuracy of any of the representations contained in the documents relating to the bond offering that is the subject of this rating, Standard & Poor's Maalot report or the facts that form the basis for the opinions expressed to Standard & Poor's Maalot as a condition for the giving of the rating, fraudulent or dishonest acts of commission or omission, or any other act that contravenes the law.

The ratings could be revised as a result of changes to the information received or for other reasons. The rating should not be perceived as expressing any opinion concerning the price of the securities on the primary or secondary market. The rating should not be perceived as expressing any opinion concerning the advisability of buying, selling or holding any security.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Partner Communications Company Ltd.

By:	/s/ Ziv Leitman	
	Name:	Ziv Leitman
	Title:	Chief Financial Officer

Dated: August 18, 2014