

Subject: FW:

Bankruptcy for Blockbuster?

Posted Mar 03 2009, 02:16 PM by Kim Peterson

Rating: ★★☆☆☆

Filed under: [Blockbuster](#), [Netflix](#), [Kim Peterson](#)



Nothing like a bankruptcy rumor to demolish a share price. [Blockbuster \(BBI\)](#) has hired lawyers to look into a possible bankruptcy filing, [Bloomberg reports](#). Shares plunged 77% today to 22 cents before trading was halted.

The movie-rental chain has been hit hard by [Netflix \(NFLX\)](#), which has been firing on all cylinders for years while Blockbuster struggled to find a strategy for the future. On some days, it planned to go after Netflix with guns blazing, but other times it pursued other ideas, such as its [bizarre attempt to buy Circuit City](#) last year.

Blockbuster has 7,500 stores worldwide, and hasn't wanted to cannibalize its retail sales with a by-mail DVD effort. But the video-rental industry is hurting, despite Blockbuster's many attempts to try to lure people back to stores with [in-store kiosks](#) and other offerings.

Netflix investors are reaping the Blockbuster bounty today, as shares are up nearly 12% on the news to \$38.30.

One option being reported for Blockbuster is a "pre-packaged" bankruptcy that is largely handled out of court. It normally includes agreements with creditors about the future of the company, Bloomberg reports.

Blockbuster isn't confirming the report or saying anything at all about bankruptcy this afternoon. But the company doesn't have to confirm one fact: Time and again, it has mismanaged its future, losing focus and missing opportunities while a little-known competitor stole the show