



TECHIE NEWS



## Circuit City Has \$54.6 Million 1Q Loss

[The Associated Press]

[By Zinie Chen Sampson]

Jun. 20, 2007 | RICHMOND, Va.

(AP) - Electronics retailer Circuit City Stores Inc. reported a \$54.6 million first-quarter loss Wednesday and withdrew its financial guidance for fiscal 2008 as the company slashed jobs and restructured to fend off competition.

For the quarter ended May 31, the nation's No. 2 consumer-electronics chain behind Best Buy Co. Inc. reported losses of 33 cents per share, compared with a profit of \$6.4 million, or 4 cents a share, a year ago. Analysts surveyed by Thomson Financial expected a per-share loss of 32 cents.

Sales fell 4% to \$2.49 billion, from \$2.6 billion in the previous year's quarter, slightly ahead of analysts' estimate of \$2.44 billion. Sales at stores open at least a year, known as same-store sales, slipped 5.6%. In the year-ago period, sales grew 17%; same-store sales rose nearly 15%.

Circuit City withdrew its financial guidance for fiscal 2008 because the company expects continued volatility as it restructures in an unfavorable economic environment.

Circuit City announced in March that it planned to lay off about 3,400 retail employees and replace them with lower-paid workers and outsource its information technology work to IBM Corp. Last month, the company cut retail management positions and eliminated about 200 corporate-office jobs.

Rival Best Buy this week reported an 18% decline in first-quarter profit and lowered its 2008 earnings estimate. The Richfield, Minn., company blamed a softening economy for weaker sales of high-margin items such as flat-screen televisions. Circuit City and Best Buy have faced growing competition from Wal-Mart Stores Inc. and other discount retailers.

"While I am disappointed with the large net loss for the first quarter, we met our revised guidance while up against our toughest comparable-store sales increase comparison of this fiscal year," Circuit City chief executive Philip J. Schoonover said in a statement. "We made significant and substantial changes to improve Circuit City and position the company to compete while facing economic uncertainty in the near term and new realities in the consumer electronics marketplace over the longer term."

Richmond-based Circuit City last month said it had expected losses of \$80 million to \$90 million in the first quarter from continuing operations with sales of flat-panel and projection televisions trailing off.

Though Circuit City withdrew 2008 guidance, Schoonover said in a conference call with analysts that the company expects its cost-cutting measures to save \$200 million over the year. Though some of the savings will be offset by other expenses, the company hopes to be able to invest in new stores, IT systems, online-selling capability and its Firedog home-installation business, Schoonover said.

Schoonover also said that the major restructuring changes that have been completed will allow the retailer to be prepared for the upcoming back-to-school and holiday sales periods.

Though Circuit City and Best Buy have seen weakening in the TV market, executive vice president David L. Mathews noted in the conference call that wholesale-type outlets such as Costco and Sam's Club have remained strong in the same segment.

"In terms of who's winning and losing, clearly discounters are people we need to keep an eye on," said Mathews, who heads the company's merchandising and marketing efforts.

Domestic sales fell 4% to \$2.38 billion in the



TECHIE NEWS

first quarter, and international sales fell 2%.

Video sales decreased in double digits with flat-screen LCD TV sales growth offset by a huge drop in projection and tube TVs. Sales of digital-imaging products and accessories, camcorders and DVD hardware fell as well. Notebook computer sales grew by double digits but desktop computer sales were flat.

Significant sales of navigational products were offset by a double-digit decrease in sales of portable digital audio, mobile, home-audio and digital satellite-radio products.

Sales of video-gaming products and computer software were up, but there was a dropoff in video and music software.

Sales of extended warranties fell 20%, but Firedog sales grew 70% from the year-ago quarter.

Circuit City still plans to open 60 to 65 domestic stores during the fiscal year, with half of them replacing current stores, company officials said. It plans to open 75 to 100 new stores in fiscal 2009, officials said in the analysts' conference call.

Schoonover said the company soon expects to name a new chief financial officer.

Shares rose 11 cents to \$16.18 in early afternoon trading Wednesday on the New York Stock Exchange.

EmploymentCrossing is the largest collection of active jobs in the world.

We continuously monitor the hiring needs of more than 250,000 employers, including virtually every corporation and organization in the United States. We do not charge employers to post their jobs and we aggressively contact and investigate thousands of employers each day to learn of new positions. No one works harder than EmploymentCrossing.

Let EmploymentCrossing go to work for you.