RadioShack posts loss, suspends dividend

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(AP) — Shares of RadioShack Corp. slumped to an all-time low on Wednesday after the struggling electronics retailer reported an unexpected $21 million loss for its second quarter. Its shift toward selling smartphones and their accessories was not enough to offset a decline in demand in other consumer electronics.

The company also suspended its dividend. Its shares fell $1.05, or 28.8 percent, to close at $2.60 Wednesday after falling as low as $2.46 earlier, an all-time low.

The chain's troubles are partly due to wider problems in the brick-and-mortar electronics industry and add fuel to the notion that selling consumer electronics in brick-and-mortar stores is becoming less and less viable.

RadioShack and Best Buy Co. are dealing with shoppers who are increasingly moving away from devices like computers and cameras to buy tablets and smartphones, which are less profitable for retailers. RadioShack said in particular during the quarter it sold less profitable smartphones, which hurt its gross margin — the amount of each dollar in revenue a company actually keeps.

"Overall, our business performed below expectations during the second quarter," said CEO Jim Gooch. "We were disappointed in our gross margin rate performance, as the initiatives we have under way have not yet generated enough momentum to improve the trend."

RadioShack and other stores are also contending with consumers "window shopping" in stores but buying products for less from online competitors such as Amazon.com.

RadioShack's lackluster quarterly performance comes one day after a UBS analyst downgraded the company and cut its price target, citing its lack of a clear strategy. Michael Lasser lowered the retailer to "Sell" from "Neutral" and reduced its price target to $3 from $4.40.

RadioShack said Wednesday that its loss amounted to 21 cents per share, for the three months ended June 30 compared with net income of $24.9 million, or 24 cents per share, in the prior-year period.

Analysts predicted earnings of 3 cents per share for the latest quarter, according to a FactSet survey.

Revenue rose 1 percent to $953.2 million from $941.9 million. But the results missed the $968.4 million that Wall Street expected.

Revenue at stores open at least a year were basically flat. This metric is a key indicator of a retailer's health because it excludes results from stores recently opened or closed.

Mobile phone sales climbed 3.3 percent at company-run RadioShack stores in the U.S., but the Fort Worth, Texas, retailer was hurt by shoppers snapping up less profitable smartphones. Meanwhile, sales of other consumer electronics fell 26.5 percent.

RadioShack also suspended its dividend, saying the move would help it pay down debt and continue to invest in its business. It had been paying a dividend at an annual rate of 50 cents.

The company said its performance was below expectations. But it said it was working on initiatives to turn around results, including a new ad campaign.

"In simple terms, we need to rebuild consumers knowledge of the brand," said Gooch in a call with investors.

But analysts were not sure that would be enough.

A "continued decline in gross margin drove the miss, and we continue to believe this trend is unlikely to change due to structural issues," said Janney Capital Markets analyst David Strasser in a note to investors. He rates the company "Neutral."

Meanwhile, Fitch Ratings downgraded its long-term issuer default rating for RadioShack to "CCC" from "B-." A "CCC" rating indicates a substantial credit risk.

"The downgrade reflects the significant decline in RadioShack's profitability, which has become progressively more pronounced over the past four quarters," Fitch said in a statement. "Results have been disappointing, due in particular to pressure on the company's mobility segment, leading to a marked deterioration in the company's credit profile."

RadioShack has about 4,700 company-run stores in the U.S. and Mexico, 1,500 wireless phone centers in the U.S. and approximately 1,100 dealer and other outlets worldwide.