Best Buy reports 1Q loss on restructuring costs

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In this photo taken Friday, Apr. 26, 2013, Miele Account Manager Natasha Feldman showcases a Miele steam oven at the Pacific Sales at the Best Buy store in Glendale, Calif. Best Buy Co. Inc. reports quarterly financial results before the market opens on Tuesday, May 21, 2013. (AP Photo/Damian Dovarganes)

(AP)—Best Buy Co. on Tuesday reported a loss for its fiscal first quarter as it sold its stake in Best Buy Europe and works on a turnaround plan that includes cutting costs and closing some stores.

Its adjusted earnings beat Wall Street expectations, as cost cuts helped offset tough pricing competition during the quarter. But shares fell 5 percent in midday trading.

The company has been working on a turnaround plan as it faces increased competition from online retailers and discount stores. The plan includes closing stores, cutting costs and investing in training for its employees. In April it also said it would sell its 50 percent stake in its European joint venture to streamline its business and strengthen its balance sheet.

CEO Hubert Joly said the company is working on improving its e-commerce offerings, replacing its search platform with better technology, redesigning parts of its Web site and making other Web site upgrades. The changes are needed because 80 percent of all customers who are planning to buy gadgets worth $100 or more are researching the product online before going into a store, Joly said.

"That means 'showrooming' is not starting in our retail store, it is starting online and we are not showing up on the first page a fair share of the time," Joly said.

Brian Sozzi, CEO and chief equities strategist at Belus Capital Advisers, said the report shows that Best Buy's restructuring is beginning to pay off.

"Best Buy is starting to run a tighter ship in which demand is properly aligned with inventory," he said. Key is its "operational overhaul that is both removing oodles of wasteful processes and repositioning the company for relevance in a competitive industry."

The electronics retailer says net loss for the three months ended May 4 after paying preferred dividends totaled $81 million, or 24 cents per share. That compares with net income of $158 million, or 46 cents per share, last year.

Excluding restructuring costs and costs related to selling its stake in Best Buy Europe, it earned 36 cents per share. That beat the 24 cents per share that analysts expected, according to FactSet.

Revenue fell nearly 10 percent to $9.38 billion, excluding European revenue. Including revenue from its European joint venture that it is selling, revenue totaled $10.8 billion, the company said. That is ahead of analyst expectations of $10.67 billion. Revenue in stores open at least one year fell 1.1 percent. The measure is a key gauge of a retailer's expectations because it excludes stores that open or close during the year.

CEO Hubert Joly said results were hurt by the shift of Super Bowl, which typically drives TV sales, into the prior quarter, and the decision to reduce sales in some non-core businesses.

CFO Sharon McCollam said the company expects the price competitiveness that hurt per share results in the first quarter will continue into the second. She added that adding Samsung store-within-stores and restructuring retail floor space at some stores are expected to hurt some stores as well.

The investments in its turnaround plan, however are expected to be "substantially offset" by the company's cost cutting initiatives.

Best Buy shares fell $1.26, or 4.7 percent, to $25.55 in afternoon trading. The stock has traded between $11.20 and $27.37 over the past 52 weeks.