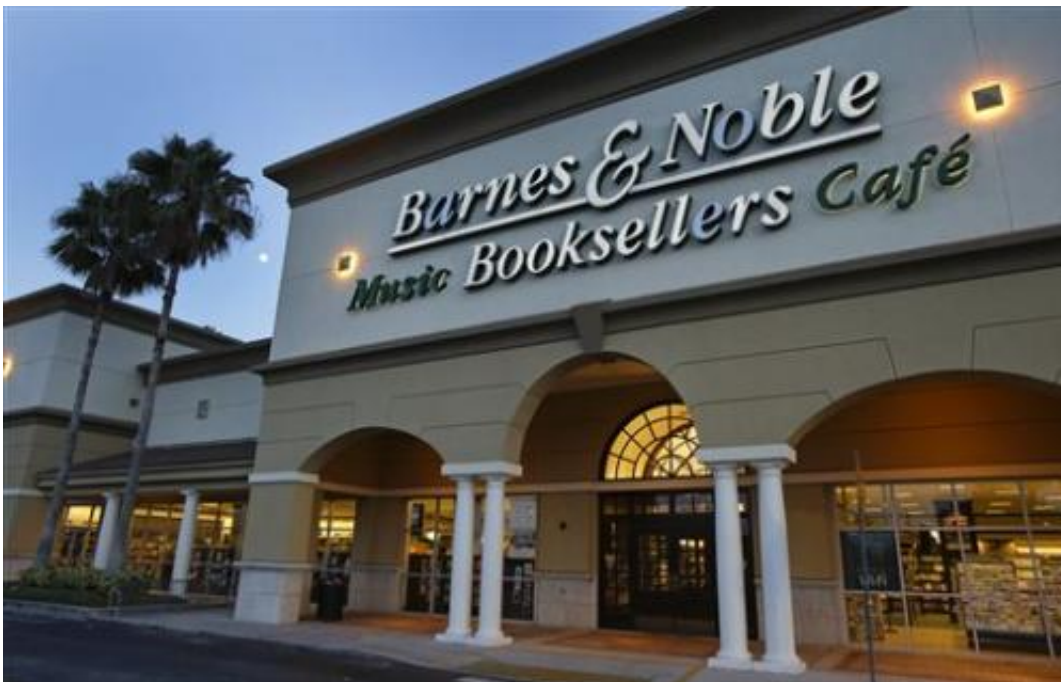


Barnes & Noble swings to 2Q profit (Update)

November 26 2013, by Mae Anderson



In this Sunday, Aug. 18, 2013, file photo, a Barnes & Noble bookstore is photographed in Orlando, Fla. On Tuesday, Nov. 26, 2013, Barnes & Noble releases quarterly financial results. (AP Photo/John Raoux, File)

Book retailer Barnes & Noble returned to a profit in the fiscal second quarter as cost cuts offset lower sales.

The company's sales missed expectations, however, and its shares fell 6 percent in midday trading. The report comes as the crucial holiday season kicks off, when retailers can make up to 40 percent of their annual revenue.

Barnes & Noble has been evaluating its strategy for its Nook e-book reader after years of investing heavily in the business and developing a color tablet, the Nook HD+, that has faced tough competition from Amazon's Kindle and the Apple iPad.

Things have been in flux since June when CEO William Lynch left the company, which has not named a replacement. It introduced a new non-tablet e-book reader, a \$119 Nook GlowLight, for the holidays.

Michael P. Huseby, president of Barnes & Noble and CEO of Nook Media, said the company is committed to its devices, since standalone devices have a higher attachment rate than apps alone.

"Our primary focus continues to be on driving revenue growth opportunities while managing expenses and inventory commitment levels," for Nook, Huseby said in a call with investors. "To improve content sales, we are focused on increasing sales to Nook active user base and selling e-reading devices that are closely aligned with selling content."

Net income for the three months ended Oct. 26 totaled \$13.2 million, or 15 cents per share. That compares with a loss of \$501,000, or 7 cents per share, last year.

Revenue fell 8 percent to \$1.73 billion from \$1.88 billion last year. Analysts expected a loss of 3 cents per share on revenue of \$1.76 billion, according to FactSet.

Revenue fell across all segments. Retail revenue fell nearly 8 percent to \$921 million. College bookstore revenue fell 4.6 percent to \$737.5 million and Nook revenue dropped 32 percent to \$108.7 million.

Shares fell 99 cents to \$15.44 during midday trading. The stock is up 9

percent since the beginning of the year.

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