

Best Buy offers weak profit view, says CFO stepping down

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In this Tuesday, Feb. 9, 2016, file photo, a shopper carts his purchased LED TV at a Best Buy in Miami. On Tuesday, May 24, 2016, Best Buy reports financial results. (AP Photo/Alan Diaz, File)

Best Buy Co. on Tuesday offered a disappointing profit outlook for the current quarter, weighed in part by a recent earthquake in Japan that hurt the availability of some highly profitable products.

The nation's largest consumer electronics chain also said its chief financial officer, Sharon McCollam, is stepping down. She played a key role in the company's turnaround a few years ago.

McCollam will be succeeded by long-time executive Corie Barry following the company's shareholders' meeting on June 14 and stay on in advisory role for the rest of the fiscal year.

The news sent Best Buy's stock down more than 7 percent even as the company reported first-quarter profits that topped Wall Street projections.

CEO Hubert Joly sought to ease investor worries about the company's future in the wake of McCollam's departure.

"Our legacy will endure," he said.

But Best Buy faces challenges as it tries to re-energize growth. Under Joly, who took the helm in 2012, Best Buy has been cutting costs, revamping stores and improving training for its sales staff as it fights off competition from online leader Amazon and big discounters like Wal-Mart.

It's been rolling out services like shipping goods from all its stores, which means speedier deliveries. It's been working with big suppliers like Samsung to develop home theaters. And it has also been catering to shoppers' increasing interest in "smart home" technology, which gives users the ability to turn down the heater remotely, for example.

Best Buy's investments in its online business have helped. Its online sales rose 24 percent in the latest quarter. But it has been battling softer sales because of declining prices for electronic products and the fact that fewer customers are upgrading their mobile devices.

Joly told to reporters that the average selling price for a 4K TV is down 30 percent from a year ago. Still, there are plenty of new innovations that he said should help drive sales, such as virtual-reality goggles.

The company is feeling an immediate impact from an earthquake in April that hit southern Japan's Kumamoto region and affected the supply of products like digital cameras and lenses, which carry high profit margins.

It said that it now expects adjusted earnings between 38 cents and 42 cents per share in the current quarter. Analysts had been projecting 50 cents per share, according to a FactSet survey.

For the three months ended April, Best Buy earned \$229 million, or 70 cents per share. A year earlier the consumer electronics retailer earned \$129 million, or 36 cents per share.

Earnings, adjusted for one-time gains and costs, came to 44 cents per share, easily topping the per-share projections of 35 cents from analysts surveyed by Zacks Investment Research.

Revenue fell to \$8.44 billion from \$8.56 billion. While the results beat the \$8.29 billion that analysts expected, Best Buy's first-quarter revenue has now dropped for the past three years.

Revenue at stores opened at least a year in its domestic business were essentially unchanged for the quarter. Some of the bright spots were appliances, home theater and wearable technology like smart watches.

The Richfield, Minnesota, company maintained its full-year guidance for approximately flat revenue.

Shares of Best Buy fell \$2.45 to close Tuesday at \$30.55, erasing most

of their gains for the year.

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