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Price Cuts Drag Down Circuit City Earnings

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Richmond-based Circuit City Stores Inc., the nation's second-biggest electronics retailer, said a holiday price war and aggressive end-of-year clearance sales dragged down fourth-quarter profit by 5 percent.

The company, which has trailed competitor Best Buy Co. for nearly a decade, earned \$85.4 million (45 cents a share) for the quarter ended Feb. 28, compared with \$89.6 million (44 cents) a year earlier. Revenue rose 5 percent, to \$3.47 billion.

"We are making progress in improving operations, but we also recognize that more work remains to improve our relevancy with the customer and unlock shareholder value," said W. Alan McCollough, Circuit City's chief executive.

For the fiscal year, Circuit City



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earned \$61.7 million (31 cents), compared with a loss of \$89.3 million (43 cents) a year earlier, with revenue up 6 percent, to \$10.47 billion.

Circuit City Stores said discounts lowered fourth-quarter earnings by 5 percent from a year earlier. Revenue for the period, however, rose 5 percent. (Mike Mergen -- Bloomberg News)

During the fourth quarter, Circuit City fended off a takeover effort by Boston hedge fund Highfields Capital Management, a major shareholder, which wanted to take the struggling company private while streamlining operations.

But Circuit City executives will instead stick with their own turnaround strategy, which calls for the expansion of video game and DVD offerings -- an area in which the company has lagged behind its competitors -- and the relocation of aging stores to newer shopping centers.

Since 2001, the company has relocated 66 stores from older shopping centers to newer, more popular ones, it said yesterday. Over the next year, it plans to relocate as many as 17 more -- fewer than executives had originally hoped.

"We originally thought the number for this year would have been somewhat higher than it ended up," McCollough said. But "it's become a little tougher to find sites that are appropriate."

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