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Systemax To Cut Circuit City, CompUSA Brands, Exit PC Manufacturing

By Steve Smith On Nov 2 2012 - 11:53am

Port Washington, N.Y. – Systemax will consolidate its North American consumer businesses under the TigerDirect brand, drop the CompUSA and Circuit City brands by the end of the year, and exit the PC manufacturing business.

News came in its quarterly financial report in which Systemax reported sales of \$846.3 million in the quarter, ended Sept. 30, down from \$900.2 million in the prior year. Net income was \$13.9 million in the quarter, up from the prior year's \$10.6 million.

Systemax reported that consolidating its North American businesses under TigerDirect would be "optimized" and it will record one-time, non-cash impairment charges related to the intangible assets of CompUSA and Circuit City of approximately \$34 million, pretax, in the fourth quarter of 2012.

Regarding its PC decision, Systemax said it would continue service and support for its previously sold PCs. As a result of exiting this business, it expects to incur aggregate one-time charges of approximately \$6 million to \$8 million, pretax, in the fourth quarter of 2012 and during 2013 for asset impairment, exit and severance expenses. Systemax "anticipates that the opportunity benefit of strengthening its strategic relationships with vendor partners within the desktop PC category should provide improved profitability of between \$1 million and \$2 million, pretax, on an annual basis."

In its third-quarter report, Systemax said consolidated sales decreased 6 percent to \$846.3 million in U.S. dollars. On a constant currency basis, sales decreased 3.3 percent. B to B channel sales grew 3.8 percent to \$526.8 million in U.S. dollars. On a constant currency basis, sales grew 8.8 percent. On a same-store and constant currency basis, sales grew 9 percent.

Consumer channel sales declined 18.6 percent to \$319.5 million in U.S. dollars. On a constant currency basis, sales declined 19.2 percent. On a same-store and constant currency basis, sales declined 19.6 percent, the company noted.

The operating loss from continuing operations, which includes \$2 million of special charges, was \$1.9 million, compared with operating income from continuing operations of \$19.3 million in the third quarter of 2011. The decline was primarily a result of the performance of its North America technology consumer business and special charges previously mentioned.

Richard Leeds, chairman/CEO, commented in a statement on "continued weakness in our North American consumer business. The weakness is largely driven by industry trends that include soft demand for PCs and a number of consumer electronics products."

He noted, "We harvested significant value from the CompUSA and Circuit City acquisitions and are now moving forward with a single and unified consumer platform in the United States that will drive efficiencies in advertising and customer acquisition. In addition, exiting the PC manufacturing business will allow us to focus resources on our growth opportunities and other strategic initiatives."

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