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EARNINGS

Best Buy Rewards Shareholders After Strong Holiday

Electronics retailer resumes stock buybacks, boosts dividend, issues special payout

Best Buy's profit surged in the fourth quarter, and the company raised its dividend and resumed share buybacks.
PHOTO: ASSOCIATED PRESS

By **CHELSEY DULANEY**
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Best Buy Co. unveiled plans on Tuesday to buy back shares for the first time since 2012, as the electronics chain posted a better-than-expected profit in its holiday quarter.

The chain said it would repurchase $1 billion in shares over three years as part of an existing $5 billion authorization. It also announced a 21% increase to its quarterly dividend and a special dividend of 51 cents a share.

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Meanwhile, Best Buy said it is aiming to cut another $400 million in costs over the next three years. The company has eked out a stronger profit, despite sales weakness, thanks largely to cost-cutting. In the latest quarter, selling, general and administrative expenses edged lower to $2.22 billion from $2.26 billion a year earlier.

Best Buy said it expects the benefits from the latest round of cutbacks to be more than offset by investments into its marketing, information technology, and online and retail experiences. The electronics chain has been investing heavily in its showroom floors to compete with discount stores and websites that use bargain-priced electronics to drive traffic to other parts of their business.

Chief Executive Hubert Joly said the company is optimistic about its growth prospects this year, though the effort to win more market share will cost money. “We’re playing offense, we’re investing,” Mr. Joly said in an interview. “We know it’s a tough business.”

In January, the company warned that weak demand for consumer electronics and declining prices would weigh on sales for the first half of the year, rekindling investor worries about the chain’s long-term profitability. The electronics chain said domestic sales would be flat to negative for the first half of the year, an outlook Best Buy reaffirmed Tuesday.

The expected slowdown this year overshadowed a strong holiday season showing for the retailer, primarily driven by popular home-theater systems and mobile phones.

For the fourth quarter ended Jan. 31, domestic sales excluding newly opened or closed locations grew 2.8%.

Quarterly domestic online sales rose 9.7%. Best Buy has invested in its Web operations amid concerns that its stores were becoming little more than a testing ground for products that were ultimately bought online.

International same-store sales, meanwhile, fell 4%.

Overall, the company posted quarterly earnings of $519 million, or $1.46 a share, up from $293 million, or 83 cents a share, in the year-earlier period. Excluding a gain on investment, per-share earnings were $1.48. Revenue rose 1.3% to $14.2 billion.

Analysts polled by Thomson Reuters had projected earnings of $1.35 a share and revenue of $14.35 billion.

Best Buy attributed the lower-than-expected revenue to the fact that some analysts' projections included its China business, which the company sold last month and classified as discontinued operations for the latest quarter.

Gross margin for the quarter widened to 21.3% from 20.2% a year earlier.

Best Buy also confirmed the departure of Christopher Askew, who led the Geek Squad brand as the chain's president of services, after a streak of underwhelming growth in the business. The company is searching for a replacement.

—Drew FitzGerald contributed to this article.

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