

Best Buy tempers its outlook for the rest of the year

Article

The news: Best Buy beat Wall Street analysts' expectations in Q2, but continues to face a challenging environment in which few consumers are splurging on big-ticket items such as home theaters, TVs, and appliances.

- Adjusted earnings per share were \$1.22, down 20.8% from \$1.54, but ahead of the \$1.06 that analysts expected, per Refinitiv.
- Revenues were \$9.58 billion, down \$10.33 billion, but ahead of the \$9.52 billion that analysts expected.

A challenging space: “We continue to expect that this year will be the low point in tech demand after two years of sales declines,” said CEO **Corie Barry**, in a statement.

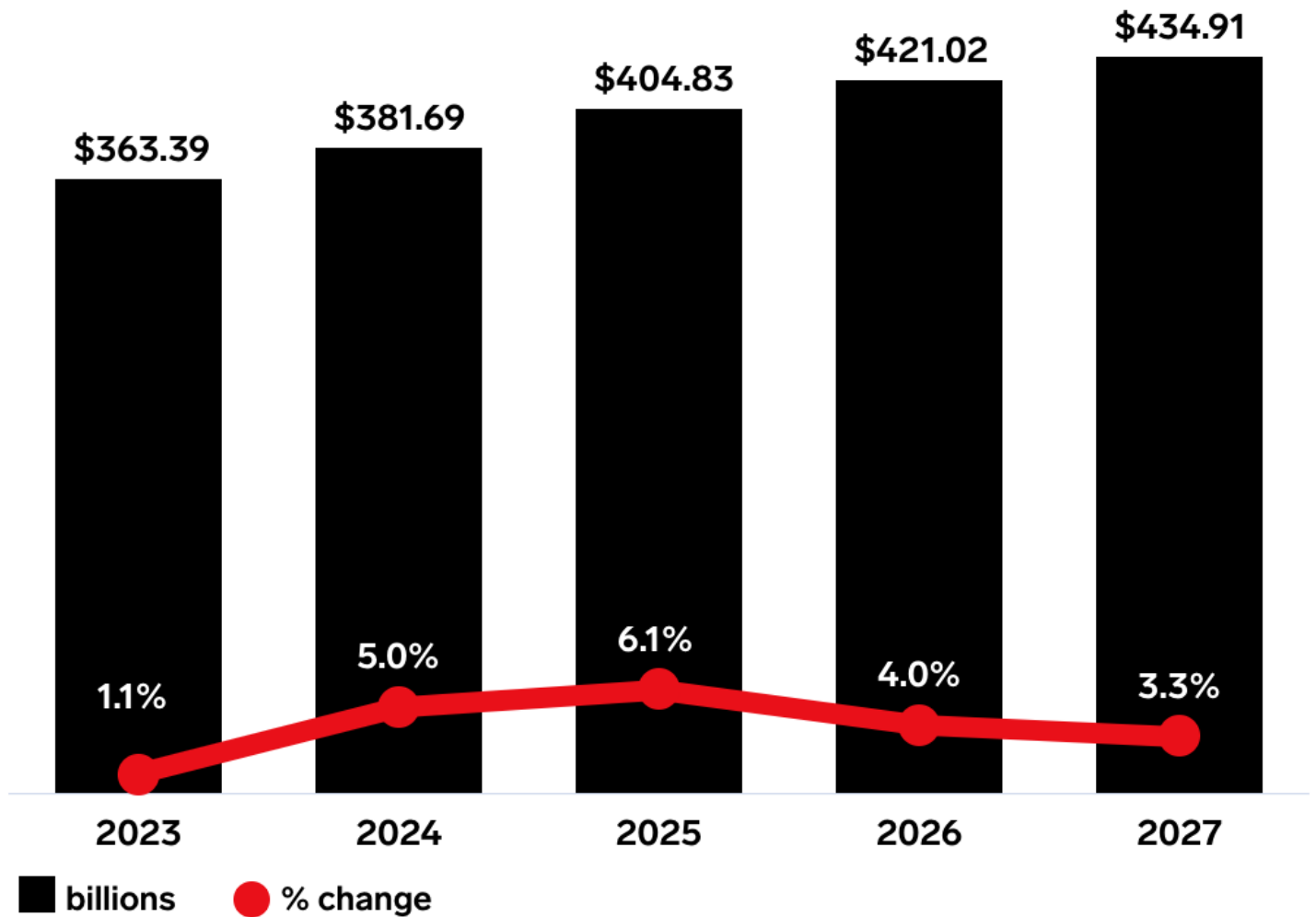
- That comment is in line with our forecasts. While we expect overall retail sales to grow 2.9% this year, **we project computer and consumer electronics sales to rise just 1.1%.**
- In recognition of its near-term challenges, Best Buy narrowed its revenue guidance to \$43.8 billion to \$44.5 billion from \$43.8 billion to \$45.2 billion. It also adjusted its comparable sales guidance to a decline of 4.5% to 6.0% from its previous decline of 3.0% to 6.0%
- It also continues to look for ways to drive growth. For example, its recently launched membership program, **My Best Buy Total**, helped it generate a slightly better gross profit rate in the quarter. That trend line drove it to slightly raise its expected adjusted earnings per share range to \$6 to \$6.40 up from its prior guidance of \$5.70 to \$6.50.

The bottom line: Given the slow-growth environment, Best Buy needs to protect its bottom line by executing well on fundamentals such as inventory management and upselling consumers on its membership programs.

- However, over the long term it needs to find ways to improve the experience it delivers to shoppers to avoid losing sales to mass merchants like **Amazon, Walmart, and Costco.**

Computer & Consumer Electronics Retail Sales

US, 2023-2027



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: Insider Intelligence | eMarketer, June 2023

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