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RADIOSHACK CORP
Form 8-K
February 19, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 19, 2004

RADIOSHACK CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-5571 (Commission File Number)	75-1047710 (I.R.S. Employer Identification No.)
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100 Throckmorton Street, Suite 1800, Fort Worth, Texas (Address of principal executive offices)	76102 (Zip Code)
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Registrant's telephone number, including area code (817) 415-3700

Item 12. Results of Operations and Financial Condition

On February 19, 2004, RadioShack Corporation (the "Company") issued a press release containing certain information with respect to its fourth quarter and year-end 2003 financial results. A copy of the press release is attached as Exhibit 99.1.

In the press release, the Company utilized non-GAAP financial measures to describe the Company's adjusted net income for the fourth quarter of 2002 and for the 2002 fiscal year and to present the Company's free cash flow. Management does not intend the presentation of these non-GAAP financial measures to be considered in isolation or as a substitute for measures prepared in accordance with GAAP.

In the press release, the Company adjusted its net income for the fourth quarter of 2002 to eliminate a litigation settlement credit, an impairment charge, and a gain on a contract termination. The Company also adjusted its 2002 net income to eliminate the foregoing items, along with other income from a favorable litigation settlement. Management believes that the presentation of adjusted net income for these periods is useful to investors because it provides a useful means of evaluating the Company's operating performance and results on a comparable basis through the adjustment of amounts that, while they may possibly recur from time to time, do not typically recur on a quarterly basis. Furthermore, in preparing operating plans and forecasts, management relies, in

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part, on trends in the Company's historical results, exclusive of these items, and provides its forecasts to investors on this basis.

The Company utilized a non-GAAP financial measure in the press release to present the Company's free cash flow. The Company's management believes that free cash flow is an appropriate indication of the Company's ability to fund share repurchases, repay maturing debt, change dividend payments or fund other uses of capital that management believes will enhance stockholder value.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 19th day of February, 2004.

RADIOSHACK CORPORATION

/s/ Mark C. Hill

Mark C. Hill
Senior Vice President - Chief
Administrative Officer,
Secretary and General Counsel

EXHIBIT INDEX

Exhibit No.
99.1 Press Release, dated February 19, 2004.

Exhibit 99.1

February 19, 2004
RSH-2004-008

For further information contact:

James M. Grant,
Senior Director, Investor Relations
(817) 415-7833

Or

Leah M. King
Director, Investor Relations
(817) 415-2909
investor.relations@radioshack.com

Laura Moore,
Senior Vice President,
Chief Communications Officer
(817) 415-3300
Media.relations@radioshack.com

RadioShack Corporation Announces Fourth Quarter and Year-End 2003 Financial Results

Fourth Quarter Net Income up 17%, E.P.S. up 22%

Fort Worth, Texas - RadioShack Corporation (NYSE: RSH) today announced fourth quarter net income of \$127 million or \$0.77 per diluted share for the quarter ended December 31, 2003. This compares to net income of \$109 million or \$0.63 per diluted share for the quarter ended December 31, 2002. Last year the company also reported adjusted fourth quarter 2002 net income(1) of \$102 million or \$0.59 per diluted share, due primarily to an unusual gain from a contract termination.

Comparable store sales for the fourth quarter 2003 were flat compared to the prior year. Total sales in the fourth quarter 2003 were also flat at \$1,490.4 million, compared to total sales of \$1,497.7 million for the previous year.

"Improved management of product mix, supply chain initiatives, markdowns, along

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with other factors related to gross margin, favorably impacted our quarterly earnings beyond our expectations," said Leonard Roberts, chairman and chief executive officer of RadioShack Corporation. "Our organizational disciplines in buying, pricing, staffing and other areas are driving higher profit and better returns for our shareholders. These disciplines will bode well for us in 2004 and beyond."

Inventory turnover for the full year of 2003 was 2.7 times versus 2.5 times a year ago. Free cash flow(1) was \$422 million for the 12 months ended December 31, 2003, compared to \$375 million in the prior year.

RadioShack reported full year 2003 net income of \$298 million, or \$1.77 per diluted share, versus net income of \$263 million, or \$1.45 per diluted share the previous year. Excluding unusual items, 2002 net income(1) was \$258 million, or \$1.42 per diluted share. Sales for 2003 were \$4,649 million, up 2% versus \$4,577 million the previous year.

As for financial guidance, RadioShack anticipates generating first quarter 2004 earnings per share of \$0.36 to \$0.38. Earnings per diluted share for fiscal year 2004 are anticipated to grow 13% to 15% year-over-year to at least \$1.99. This annual earnings per share growth is predicated upon sales growth of three to four percent, gross margin gains of 50 to 70 basis points, and SG&A growth of 1.5 to 2.5 percent.

Today at 9:00 a.m. ET, management will host a conference call for interested investors followed by a question and answer period. The public is invited to listen to the call live on the Internet at www.radioshackcorporation.com on the Investor Relations page. The call will be replayed on the Web site until April 16, 2004 at 11:59 p.m. ET.

Statements made in this news release which are forward-looking statements involve risks and uncertainties and are indicated by words such as "anticipates" and other similar words or phrases. These uncertainties include, but are not limited to, economic conditions, product demand, competitive products and pricing, availability of products, the regulatory environment and other risks indicated in filings with the S.E.C. such as RadioShack's most recent Forms 10-K and 10-Q.

Fort Worth, Texas-based RadioShack Corporation (NYSE: RSH) is the nation's most trusted consumer electronics specialty retailer of wireless communications, electronic parts, batteries and accessories, as well as other digital technology products and services. With 7,042 outlets nationwide at year's end, it is estimated that 94 percent of all Americans live or work within five minutes of a RadioShack store or dealer. The company's knowledgeable sales associates and brand position - "You've got questions. We've got answers.(R)" - support RadioShack's mission to demystify technology in every neighborhood in America. For more information on the company, visit the RadioShack Corporation Web site at www.radioshackcorporation.com. For more information on RadioShack products and services, visit its e-commerce Web site at www.radioshack.com.

(1) See page 4 for a reconciliation of adjusted net income and free cash flow, both of which are non-GAAP financial measures, to consolidated net income and net cash provided by operating activities, respectively, which are both GAAP financial measures.

RADIOSHACK CORPORATION AND SUBSIDIARIES
Consolidated Income Statement (Unaudited)
(In millions, except per share amounts)

Three Months Ended Increase/ Twelve

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	December 31,		(Decrease)	Dec
	2003	2002	2003 vs 2002	2003
Net sales and operating revenues	\$1,490.4	\$1,497.7	\$ (7.3)	\$4,649.3
Cost of products sold	756.0	810.6	(54.6)	2,333.6
Gross profit	734.4	687.1	47.3	2,315.7
Operating expenses:				
Selling, general and administrative(1)	504.2	494.1	10.1	1,740.0
Depreciation and amortization	23.2	22.8	0.4	92.0
Impairment of long-lived assets(2)	-	8.1	(8.1)	-
Gain on contract termination(3)	-	(18.5)	18.5	-
Total operating expenses	527.4	506.5	20.9	1,832.0
Operating income	207.0	180.6	26.4	483.7
Interest income	1.4	2.9	(1.5)	12.8
Interest expense	(7.6)	(10.6)	3.0	(35.7)
Other income, net(4)	-	3.1	(3.1)	12.0
Income before income taxes	200.8	176.0	24.8	472.8
Provision for income taxes	73.5	66.9	6.6	174.3
Net income	\$ 127.3	\$ 109.1	\$ 18.2	\$ 298.5
Net income per common share:				
Basic	\$ 0.77	\$ 0.64	\$ 0.13	\$ 1.78
Diluted	\$ 0.77	\$ 0.63	\$ 0.14	\$ 1.77
Avg shares used to compute earnings per share:				
Basic	164.5	168.7	(4.2)	167.7
Diluted	166.3	174.2	(7.9)	168.9
Shares outstanding	162.5	171.7	(9.2)	

- (1) - SG&A includes a \$0.9 million credit in Q4 2002 and \$29.0 million charge in year 2002 for settlement of a class action lawsuit.
- (2) - Impairment of long-lived assets includes an \$8.1 million charge in both Q4 2002 and year 2002 from the write-off of goodwill related to the 1999 acquisition of AmeriLink.
- (3) - Gain on contract termination reflects the effect in both Q4 2002 and year 2002 of a gain from the termination of a Microsoft contract.
- (4) - Other income includes \$27.7 million in year 2002 from a favorable litigation settlement.

RADIOSHACK CORPORATION AND SUBSIDIARIES

Reconciliation Tables of Non-GAAP Financial Measures to GAAP Financial Measures (Unaudited)
(In millions)

NET INCOME

Three Months Ended Increase/ Twelve Mo

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	December 31		(Decrease)	Dece
	2003	2002	2003 vs 2002	2003
Net income - consolidated	\$127.3	\$109.1	\$18.2	\$298.5
Adjustments:				
SG&A - settlement of class action lawsuit	-	(0.9)	0.9	-
Impairment of long-lived asset	-	8.1	(8.1)	-
Gain on contract termination	-	(18.5)	18.5	-
Other income, net	-	-	-	-
Total adjustments before tax	-	(11.3)	11.3	-
Provision for income taxes	-	4.3	(4.3)	-
Total adjustments	-	(7.0)	7.0	-
Net income - adjusted	\$127.3	\$102.1	\$25.2	\$298.5

FREE CASH FLOW

	Twelve Mo
	Dece
	2003
Net cash provided by operating activities	\$651.9
Less:	
Additions to property, plant and equipment	189.6
Dividends paid	40.8
Free cash flow	\$421.5

RADIOSHACK CORPORATION AND SUBSIDIARIES
Adjusted Income Statement (Unaudited)
(In millions, except per share amounts)

	Three Months Ended		Increase/	Twelve M
	December 31,		(Decrease)	Dece
	2003	2002	2003 vs 2002	2003
Net sales and operating revenues	\$1,490.4	\$1,497.7	\$ (7.3)	\$4,649.3
Cost of products sold	756.0	810.6	(54.6)	2,333.6
Gross profit	734.4	687.1	47.3	2,315.7
Operating expenses:				
Selling, general and administrative	504.2	495.0	9.2	1,740.0
Depreciation and amortization	23.2	22.8	0.4	92.0
Total operating expenses	527.4	517.8	9.6	1,832.0

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Operating income	207.0	169.3	37.7	483.7
Interest Income	1.4	2.9	(1.5)	12.8
Interest expense	(7.6)	(10.6)	3.0	(35.7)
Other income, net	-	3.1	(3.1)	12.0
Income before income taxes	200.8	164.7	36.1	472.8
Provision for income taxes	73.5	62.6	10.9	174.3
Net income	\$ 127.3	\$ 102.1	\$ 25.2	\$ 298.5
Net income per common share:				
Basic	\$ 0.77	\$ 0.60	\$ 0.17	\$ 1.78
Diluted	\$ 0.77	\$ 0.59	\$ 0.18	\$ 1.77
Avg shares used to compute earnings per share:				
Basic	164.5	168.7	(4.2)	167.7
Diluted	166.3	174.2	(7.9)	168.9
Shares outstanding	162.5	171.7	(9.2)	

RADIOSHACK CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)
(In millions)

	Dec. 31, 2003	Dec. 31, 2002
Assets		
Cash and cash equivalents	\$ 634.7	\$ 446.5
Accounts and notes receivable, net	182.4	206.1
Inventories	766.5	971.2
Other current assets	83.0	83.1
Total current assets	1,666.6	1,706.9
Property, plant and equipment, net	513.1	421.6
Other assets	64.2	99.4
Total assets	\$ 2,243.9	\$ 2,227.9
Liabilities and Stockholders' Equity		
Notes payable	\$ 77.4	\$ 36.0
Accounts payable	300.2	312.6
Accrued expenses	343.0	318.7
Income taxes payable	137.5	160.9
Total current liabilities	858.1	828.2

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Long-term debt, excluding current maturities	541.3	591.3
Other non-current liabilities	75.2	80.3
	-----	-----
Total liabilities	1,474.6	1,499.8
	-----	-----
Stockholders' equity	769.3	728.1
	-----	-----
Total liabilities and stockholders' equity	\$ 2,243.9	\$ 2,227.9
	=====	=====

RADIOSHACK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Year Ended December 31,	
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net income	\$ 298.5	\$ 263.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92.0	94.7
Provision for credit losses and bad debts	0.4	4.7
Deferred income taxes and other items	51.7	30.6
Impairment of long-lived assets	-	8.1
Changes in operating assets and liabilities:		
Receivables	17.2	68.2
Inventories	202.3	(21.4)
Other current assets	(5.2)	1.9
Accounts payable, accrued expenses and income taxes payable	(5.0)	71.4
Net cash provided by operating activities	----- 651.9	----- 521.6
Cash flows from investing activities:		
Additions to property, plant and equipment	(189.6)	(106.8)
Proceeds from sale of property, plant and equipment	2.0	8.6
Proceeds from sale of installation subsidiary	4.7	-
Other investing activities	(6.0)	(0.8)
Net cash used in investing activities	----- (188.9)	----- (99.0)
Cash flows from financing activities:		

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Purchases of treasury stock	(286.2)	(329.9)
Sales of treasury stock to employee stock plans	35.8	40.6
Proceeds from exercise of stock options	15.7	9.0
Dividends paid	(40.8)	(39.8)
Proceeds from financing obligation	-	32.3
Changes in short-term borrowings, net	20.7	(2.0)
Repayments of long-term borrowings	(20.0)	(87.7)
Net cash used in investing activities	(274.8)	(377.5)
Net increase in cash and cash equivalents	188.2	45.1
Cash and cash equivalents, beginning of period	446.5	401.4
Cash and cash equivalents, end of period	\$ 634.7	\$ 446.5