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CIRCUIT CITY STORES INC
Form 8-K
June 16, 2006

UNITED STATES
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): June 16, 2006

CIRCUIT CITY STORES, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation)

001-05767

(Commission File Number)

54-0493875

(I.R.S. Employer
Identification Number)

9950 Mayland Drive, Richmond, Virginia 23233

(Address of principal executive offices) (Zip Code)

(804) 527-4000

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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SECTION 7 - REGULATION FD

Item 7.01 Regulation FD Disclosure.

The following quarterly information is being provided to reflect revisions and reclassifications to prior year consolidated financial statements as disclosed in Note 1, Basis of Presentation, and in Note 22, Quarterly Financial Data (Unaudited), of the Notes to the Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2006. Such revisions and reclassifications include the following:

- o The company recorded a \$7.5 million reduction to retained earnings at March 1, 2003, for corrections of errors related to lease accounting and for other matters.
- o Amounts previously reported as rent expense have been reclassified to interest expense, and the related financing lease obligation has been reclassified from accrued straight-line rent and deferred rent credits to long-term debt on the consolidated balance sheets.
- o Interest income has been reclassified from selling, general and administrative expenses to a separate line item on the consolidated statements of operations.
- o The results of two domestic subsidiaries have been presented as results from discontinued operations.
- o Investments in variable rate demand notes have been reclassified from cash and cash equivalents to short-term investments; and deposits in transit have been reclassified from accounts payable to cash and cash equivalents.
- o In order to provide a better measure of net-owned inventory, the company reclassified items previously classified as accounts payable to merchandise payable; expenses payable; accrued expenses and other current liabilities; and accounts receivable.

In addition, the following quarterly information reflects the reclassification of stock-based compensation from a separate line item on the consolidated statements of operations to selling, general and administrative expenses.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CIRCUIT CITY STORES, INC.

By: /s/ Philip J. Dunn
Philip J. Dunn
Senior Vice President, Treasurer, Corporate
Controller and Chief Accounting Officer

Dated: June 16, 2006

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CIRCUIT CITY STORES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands except per share data)

	(UNAUDITED) Three Months Ended		
	May 31, 2005	August 31, 2005	November 2005
NET SALES	\$2,227,850	\$2,557,091	\$2,901,3
Cost of sales, buying and warehousing	1,669,958	1,947,449	2,201,3
GROSS PROFIT	557,892	609,642	700,0
Selling, general and administrative expenses	583,008	608,099	686,6
OPERATING (LOSS) INCOME	(25,116)	1,543	13,3
Interest income	6,292	4,602	4,3
Interest expense	415	215	1,1
(Loss) earnings from continuing operations before income taxes	(19,239)	5,930	16,5
Income tax (benefit) provision	(7,356)	2,065	6,4
NET (LOSS) EARNINGS FROM CONTINUING OPERATIONS	(11,883)	3,865	10,1
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(1,226)	(2,517)	(
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	-	-	-
NET (LOSS) EARNINGS	\$ (13,109)	\$ 1,348	\$ 10,1
Weighted average common shares:			
Basic	184,729	179,057	174,4
Diluted	184,729	181,801	177,5
(LOSS) EARNINGS PER SHARE:			
Basic:			
Continuing operations	\$ (0.06)	\$ 0.02	\$ 0.
Discontinued operations	\$ (0.01)	\$ (0.01)	\$
Cumulative effect of change in accounting principle	\$ -	\$ -	\$

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Net (loss) earnings	\$	(0.07)	\$	0.01	\$	0.
Diluted:						
Continuing operations	\$	(0.06)	\$	0.02	\$	0.
Discontinued operations	\$	(0.01)	\$	(0.01)	\$	
Cumulative effect of change in accounting principle	\$	-	\$	-	\$	
Net (loss) earnings	\$	(0.07)	\$	0.01	\$	0.

CIRCUIT CITY STORES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands except per share data)

	(UNAUDITED)		
	Three Months Ended		
	May 31, 2004	August 31, 2004	November 2004
NET SALES	\$ 2,093,911	\$ 2,375,714	\$ 2,531,6
Cost of sales, buying and warehousing	1,599,357	1,784,746	1,894,1
GROSS PROFIT	494,554	590,968	637,5
Finance income	5,564	-	
Selling, general and administrative expenses	508,696	608,338	646,7
OPERATING (LOSS) INCOME	(8,578)	(17,370)	(9,2
Interest income	2,116	3,208	3,4
Interest expense	948	1,396	1,0
(Loss) earnings from continuing operations before income taxes	(7,410)	(15,558)	(6,8
Income tax (benefit) provision	(2,709)	(5,618)	(2,1
NET (LOSS) EARNINGS FROM CONTINUING OPERATIONS	(4,701)	(9,940)	(4,7
(LOSS) EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAX	(1,240)	(1,983)	(1,1
NET (LOSS) EARNINGS	\$ (5,941)	\$ (11,923)	\$ (5,9
Weighted average common shares:			
Basic	199,429	195,350	195,1

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Diluted	199,429	195,350	195,1
	=====	=====	=====
(LOSS) EARNINGS PER SHARE:			
Basic:			
Continuing operations	\$ (0.02)	\$ (0.05)	\$ (0.
Discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.
Net (loss) earnings	\$ (0.03)	\$ (0.06)	\$ (0.
Diluted:			
Continuing operations	\$ (0.02)	\$ (0.05)	\$ (0.
Discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.
Net (loss) earnings	\$ (0.03)	\$ (0.06)	\$ (0.

CIRCUIT CITY STORES, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	(UNAUDITED)		
	May 31, 2005	Aug. 31, 2005	Nov.
	-----	-----	-----
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 543,649	\$ 387,639	\$
Short-term investments	273,389	300,484	
Accounts receivable, net of allowance for doubtful accounts	199,673	184,552	
Merchandise inventory	1,673,631	1,664,854	
Deferred income taxes	29,278	26,121	
Income tax receivable	10,094	7,891	
Prepaid expenses and other current assets	48,767	57,606	
	-----	-----	-----
Total Current Assets	2,778,481	2,629,147	
Property and equipment, net of accumulated depreciation	704,778	759,621	
Deferred income taxes	90,895	93,426	
Goodwill	206,267	224,928	
Other intangible assets, net of accumulated amortization	30,057	32,547	
Other assets	39,358	40,238	
	-----	-----	-----
TOTAL ASSETS	\$ 3,849,836	\$ 3,779,907	\$
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Merchandise payable	\$ 836,371	\$ 863,345	\$
Expenses payable	209,283	151,984	
Accrued expenses and other current liabilities	388,842	399,638	
Accrued income taxes	-	-	

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Short-term debt	-	16,848	
Current installments of long-term debt	1,329	1,442	
	-----	-----	-----
Total Current Liabilities	1,435,825	1,433,257	
Long-term debt, excluding current installments	20,463	22,173	
Accrued straight-line rent and deferred rent credits	245,713	250,442	
Accrued lease termination costs	82,696	75,216	
Other liabilities	90,764	92,417	
	-----	-----	-----
TOTAL LIABILITIES	1,875,461	1,873,505	
	-----	-----	-----
Stockholders' Equity:			
Common stock	91,491	91,235	
Capital in excess of par value	640,635	562,057	
Retained earnings	1,221,429	1,219,559	
Accumulated other comprehensive income	20,820	33,551	
	-----	-----	-----
TOTAL STOCKHOLDERS' EQUITY	1,974,375	1,906,402	
	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,849,836	\$ 3,779,907	\$
	=====	=====	=====

CIRCUIT CITY STORES, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	(UNAUDITED)		
	May 31, 2004	Aug. 31, 2004	Nov.
	-----	-----	-----
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,024,556	\$ 969,457	\$
Short-term investments	-	-	
Accounts receivable, net of allowance for doubtful accounts	167,186	136,236	
Merchandise inventory	1,533,402	1,632,643	
Deferred income taxes	-	-	
Prepaid expenses and other current assets	53,462	51,391	
Assets of discontinued operations	5,085	-	
	-----	-----	-----
Total Current Assets	2,783,691	2,789,727	
Property and equipment, net of accumulated depreciation	698,187	723,391	
Deferred income taxes	87,751	70,648	
Goodwill	181,347	208,316	
Other intangible assets, net of accumulated amortization	37,480	31,696	
Other assets	38,753	32,325	
	-----	-----	-----
TOTAL ASSETS	\$ 3,827,209	\$ 3,856,103	\$
	=====	=====	=====

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:			
Merchandise payable	\$	699,866	\$ 810,160 \$
Expenses payable		119,691	119,773
Accrued expenses and other current liabilities		371,381	382,969
Accrued income taxes		70,343	35,974
Deferred income taxes		13,935	12,418
Short-term debt		-	3,850
Current installments of long-term debt		12,416	13,434
Liabilities of discontinued operations		2,691	-
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Total Current Liabilities		1,290,323	1,378,578
Long-term debt, excluding current installments		35,100	21,916
Accrued straight-line rent and deferred rent credits		216,701	222,429
Accrued lease termination costs		52,698	57,131
Other liabilities		79,754	83,818
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TOTAL LIABILITIES		1,674,576	1,763,872
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Stockholders' Equity:			
Common stock		99,650	97,592
Capital in excess of par value		867,300	818,167
Retained earnings		1,182,388	1,166,965
Accumulated other comprehensive income		3,295	9,507
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TOTAL STOCKHOLDERS' EQUITY		2,152,633	2,092,231
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	3,827,209	\$ 3,856,103 \$
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CIRCUIT CITY STORES, INC.
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated

(Dollar amounts in millions)	May 31, 2005		August 31, 2005		November 30, 2005		Fe
	\$	% of Sales	\$	% of Sales	\$	% of Sales	
Store expenses	\$500.2	22.5%	\$520.2	20.3%	\$583.8	20.1%	\$64
General and administrative expenses	77.4	3.5	78.9	3.1	86.6	3.0	7
Stock-based compensation expense	3.2	0.1	6.6	0.3	9.3	0.3	
Remodel expenses	-	-	-	-	-	-	
Relocation expenses	2.0	0.1	0.3	-	2.6	0.1	
Pre-opening expenses	0.2	-	2.1	0.1	4.3	0.2	
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Total	\$583.0	26.2%	\$608.1	23.8%	\$686.7	23.7%	\$73
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(Dollar amounts in millions)	May 31, 2004		August 31, 2004		Three Months Ended November 30, 2004		Fe
	\$	% of Sales	\$	% of Sales	\$	% of Sales	
Store expenses	\$449.1	21.5%	\$516.1	21.7%	\$548.7	21.7%	\$63
General and administrative expenses	50.8	2.4	63.6	2.7	69.0	2.7	7
Stock-based compensation expense	6.0	0.3	8.4	0.4	6.4	0.2	(
Remodel expenses	0.1	-	-	-	0.2	-	
Relocation expenses	1.9	0.1	16.5	0.7	14.9	0.6	
Pre-opening expenses	0.8	-	3.7	0.1	7.5	0.3	
Total	\$508.7	24.3%	\$608.3	25.6%	\$646.7	25.5%	\$7

Domestic

(Dollar amounts in millions)	May 31, 2005		August 31, 2005		Three Months Ended November 30, 2005		Fe
	\$	% of Sales	\$	% of Sales	\$	% of Sales	
Store expenses	\$465.9	22.0%	\$484.0	20.1%	\$539.5	19.8%	\$59
General and administrative expenses	57.0	2.7	62.6	2.6	68.5	2.5	6
Stock-based compensation expense	3.1	0.1	6.4	0.3	9.0	0.3	
Remodel expenses	-	-	-	-	-	-	
Relocation expenses	2.0	0.1	0.3	-	2.6	0.1	
Pre-opening expenses	0.2	-	2.1	0.1	4.3	0.2	
Total	\$528.2	25.0%	\$555.4	23.0%	\$623.9	22.8%	\$67

(Dollar amounts in millions)	May 31, 2004		August 31, 2004		Three Months Ended November 30, 2004		Fe
	\$	% of Sales	\$	% of Sales	\$	% of Sales	
Store expenses	\$442.6	21.4%	\$484.1	21.4%	\$510.5	21.4%	\$59
General and administrative expenses	49.4	2.4	55.3	2.5	60.6	2.5	6
Stock-based compensation expense	5.9	0.3	8.4	0.4	6.2	0.3	(
Remodel expenses	0.1	-	-	-	0.2	-	
Relocation expenses	1.9	0.1	16.5	0.7	14.9	0.6	
Pre-opening expenses	0.9	-	3.6	0.2	7.5	0.3	
Total	\$500.8	24.2%	\$567.9	25.2%	\$599.9	25.1%	\$66

CIRCUIT CITY STORES, INC.
SEGMENT PERFORMANCE SUMMARY

Domestic Segment Performance Summary

(Amounts in millions)	Three Months Ended		
	May 31, 2005	August 31, 2005	November 30, 2005
Net sales	\$2,114.7	\$2,414.0	\$2,730.8
Gross profit	\$ 512.9	\$ 557.8	\$ 641.1

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Selling, general and administrative expenses	\$ 528.2	\$ 555.4	\$ 623.9
Net (loss) earnings from continuing operations	\$ (5.9)	\$ 4.4	\$ 13.1

(Amounts in millions)	May 31, 2004	Three Months Ended August 31, 2004	November 30, 2004
Net sales	\$2,072.2	\$ 2,257.9	\$2,389.7
Gross profit	\$ 486.0	\$ 544.7	\$ 581.5
Selling, general and administrative expenses	\$ 500.8	\$ 567.9	\$ 599.9
Net (loss) earnings from continuing operations	\$ (5.1)	\$ (13.3)	\$ (10.2)

International Segment Performance Summary

(Amounts in millions)	May 31, 2005	Three Months Ended August 31, 2005	November 30, 2005
Net sales	\$113.2	\$143.0	\$170.6
Gross profit	\$ 45.0	\$ 51.9	\$ 58.9
Selling, general and administrative expenses	\$ 54.8	\$ 52.7	\$ 62.8
Net (loss) earnings from continuing operations	\$ (6.0)	\$ (0.5)	\$ (3.0)

(Amounts in millions)	May 12 - May 31, 2004	Three Months Ended August 31, 2004	November 30, 2004
Net sales	\$21.7	\$117.8	\$142.0
Gross profit	\$ 8.6	\$ 46.2	\$ 56.0
Selling, general and administrative expenses	\$ 7.9	\$ 40.4	\$ 46.9
Net earnings from continuing operations	\$ 0.4	\$ 3.4	\$ 5.5