

Advance Auto Parts weaker after earnings miss

Advance Auto Parts (AAP) shares went lower on Thursday May 19, 2016, but did recover some of those losses and ended the day down just 0.19 percent, after the company missed earnings forecasts and said its Chief Financial Officer would be leaving.

The auto parts retailer's earnings of \$2.51 per share were 9 cents short of estimates and revenue also missed targets. Comparable store sales fell nearly 2 percent in the quarter, well above analysts' average estimate for a 0.3 percent decline.

Advance Auto pointed to "availability of auto parts, service shortfalls and lower demand due to unfavorable weather conditions during the quarter" for the same-store sales miss. The company now expects same-store sales to decline by 3 to 5 percent in its current fiscal year, revised from a previous forecast for a gain in the low single digits.

The company said its performance did not meet its own expectations and that it is moving to improve with "urgency." "Our customers are our top priority and we are elevating our intensity to get the right parts to the right place at the right time as we empower our team members to serve the customer better than anyone else," said Chief Executive Officer Tom Greco.

Separately, Advance Auto announced that Chief Financial Officer Mike Norona is leaving the company and that a search is underway for his successor.

The company has been under pressure from activist investor Starboard Value. In September 2015, The Wall Street Journal reported that Starboard built a 3.7 percent stake in Advance Auto, pushing the company to improve its bottom line. After the release of the company's quarterly results, Advance Auto named Starboard Value Chief Executive Officer Jeffrey Smith as its new chairman.

Analysts at Stern Agee said: "We expect a negative reaction from shares given the sizeable miss and significant guidance reduction. We remain on the sidelines until there is better visibility into improving comp and margin trends."

Source: www.cnbc.com