

McAfee Turns In Ninth Consecutive Record-Breaking Quarter

April 27 2007

Despite trouble with its own executives and the SEC, McAfee still continues to break revenue records.

McAfee may have gotten in trouble with the Securities and Exchange Commission over securities fraud, and it may have had to cough up \$50 million in fines , and it certainly has experienced rumbling and tumbling in its top ranks.

Still, it's raking in the bucks.

The security company on April 26 reported its ninth consecutive record-breaking quarter, with preliminary first quarter revenue of \$314 million.

The results are preliminary because McAfee needs to restate historical financial statements in order to record additional non-cash charges associated with past stock option grants and to reflect the related tax impact for stock-based compensation expense over a 10-year period.

McAfee said it believes the statement will result in aggregate non-cash charges between \$100 million to \$150 million.

The company also expects to restate other adjustments to certain balance sheet and income statement accounts that will affect previously reported results. Excluding stock-based compensation, McAfee says it's expecting that any adjustments in the income statement results will be principally timing-related. McAfee says it will file restated financial results as soon

as is practicable.

Talking with press after delivering the quarterly results for the period ended March 31, new McAfee CEO Dave DeWalt called it a "very balanced quarter" that saw equal growth - 16 percent - in both consumer and business markets.

"This is a very strong result for us, having bifurcation of - success in - both consumer and business markets ," DeWalt said. "We're seeing a lot of pickup in product lines as we see movement from buying point products to suite products."

DeWalt said that McAfee's top suite, Total Protection, is being picked up from the consumer level on up to small or midsize businesses and through to the enterprise. In addition, McAfee saw strong sales in its Gateway and Intrushield products.

"[We] couldn't be more pleased with some of the results here," DeWalt said.

Of course, McAfee is making money because companies are losing data.

"We're in a hot space, security. In the data loss prevention space, there's been a lot of data leakage issues companies are having, whether it's the IRS losing hundreds of laptops with taxpayer information, the - TJX - issues with consumer cards, or ChoicePoint. Many companies are challenged by risk management" right now, DeWalt said.

"IT spending is pretty solid, at least in our segment, and we continue to hope to see that," he added.

There's no single evil virus causing customers to jump to purchasing McAfee's products, he said. It's more a steady increase in threats

occurring around the world, coming in more diverse forms all the time.

"[We see] literally thousands of new net threats on a daily basis," DeWalt said. "We will face more threats in the next 18-24 months than we have seen in the last 20 years. It's no longer just your PC being targeted: It's your mobile device ... or anything you communicate with or have information on [that's Web-enabled]. There are pretty significant trends. It's a positive trend for us as a technology [vendor]."

McAfee also saw business grow 24 percent internationally. The company saw 52 percent of its first-quarter income flow in from North America. That's up from \$151 million that North America kicked in for first-quarter 2006 revenue. Revenues from Europe and the Middle East grew by 24 percent; Japan revenues grew 18 percent; Asia Pacific grew 35 percent; and Latin America grew 26 percent.

Overall, DeWalt said, McAfee came in "significantly above the guidance and consensus of the market," which had predicated revenues of \$292 million. DeWalt boasted of a strong margin, as well, with non-GAAP net income at 44 cents per share.

McAfee's outlook for the second quarter is between \$295 million and \$310 million. It expects second-quarter GAAP net income of \$0.18 to \$0.23 per share and non-GAAP net income of \$0.33 to \$0.38 per share on a diluted basis. For the full year 2007, McAfee expects net revenue of \$1.220 billion to \$1.295 billion.

McAfee is expecting to pull in full-year 2007 GAAP net income of \$1.07 to \$1.27 per share and non-GAAP net income of \$1.55 to \$1.65 per share, each on a diluted basis.

As far as changing strategy goes for the fledgling McAfee chief, he says that it's steady as she goes.

"One of the first jobs I wanted to do was to create clarity on our existing strategy and get everybody aligned with that existing strategy," he said. "There are brilliant minds in this company; we have hundreds of them. This is about getting consensus and drive."

Copyright 2007 by Ziff Davis Media, Distributed by United Press International

Citation: McAfee Turns In Ninth Consecutive Record-Breaking Quarter (2007, April 27)
retrieved 4 May 2024 from
<https://phys.org/news/2007-04-mcafee-ninth-consecutive-record-breaking-quarter.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.