

EMC net falls 43 pct, still tops Street views

July 23 2009, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Fresh off a successful bid for a major acquisition, EMC Corp. said Thursday that its second-quarter profit plunged 43 percent as companies remained hesitant to spend money on technology.

The numbers still topped Wall Street's forecasts, and EMC offered a stronger-than-expected outlook, citing better operational efficiency. As part of its cost-cutting, in January EMC announced plans to lay off 7 percent of its global work force, or about 2,400 people.

A leader in the [data storage](#) market, Hopkinton, Mass.-based EMC predicts that technology spending will continue to fall through the rest of the year. But it says some of its customers have stopped constricting their tech budgets, making it easier to predict their buying habits.

In a sign that the pressures of the [recession](#) are abating for some EMC customers, David Goulden, EMC's [chief financial officer](#), said in an interview that big buying decisions that had to be approved by senior managers in the last couple of quarters are once again being handled by lower-level employees.

EMC said before the market opened Thursday that its quarterly [net income](#) was \$205.2 million, or 10 cents per share, in the three months ended June 30. That compares with a profit of \$360.1 million, or 17 cents per share, in the year-ago quarter.

The profit was 18 cents per share excluding employee stock compensation and one-time items. On that basis, analysts expected profit

of 16 cents per share, according to a poll by Thomson Reuters.

Sales slid 11 percent to \$3.26 billion, narrowly beating analysts' average projection of \$3.2 billion.

"It was a fine quarter - you can't complain," said Troy Jensen, an analyst with Piper Jaffray & Co. He found it positive that EMC gave detailed guidance at all, which the company hadn't done the last two quarters because of uncertainty caused by the financial crisis.

EMC shares rose 79 cents, 5.5 percent, to \$15.20 in morning trading.

As the leader in external disk storage systems, EMC is in a part of a market where sales slowed for the first time in five years at the end of 2008. Rivals' sales are down, too. IBM Corp.'s storage revenue dropped 20 percent in the latest quarter.

EMC now expects 2009 sales of \$13.8 billion, slightly above Wall Street's estimate of \$13.5 billion. That would still be down from last year, when EMC had \$14.9 billion in sales.

Profit for the year is expected to be 82 cents per share excluding items, EMC said. Analysts were predicting profit of 78 cents per share. In 2008, EMC earned \$1.04 per share, also excluding items.

Storage technology has a unique characteristic that should help its recovery. The amount of data being created only keeps going up, which forces companies to buy more capacity even in a down economy.

EMC is also trying to make itself more appealing to customers by grabbing Data Domain Inc., whose technology reduces the number of times the same file gets stored in corporate data centers. EMC battled rival NetApp Inc. in a month-and-a-half-long bidding contest for control

of Data Domain and ended up paying \$2.1 billion. EMC said it expects to close the Data Domain deal Thursday.

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