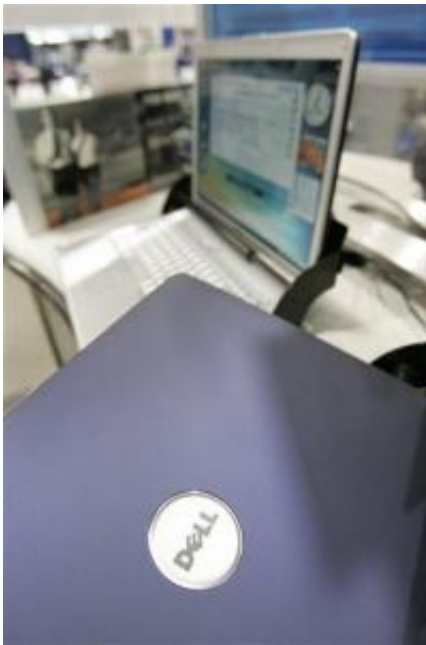


Dell's numbers show PC industry staggering back

August 27 2009, By JORDAN ROBERTSON , AP Technology Writer



FILE - In this May 29, 2008 file photo, Dell laptops are seen on display at Best Buy in Mountain View, Calif. Dell Inc. on Thursday, Aug. 27, 2009 reported its second-quarter profit was whacked 23 percent as the personal-computer industry's slump dragged on this summer. The results beat Wall Street's forecast, however, sending the shares up more than 6 percent. (AP Photo/Paul Sakuma, file)

(AP) -- Dell Inc.'s second-quarter results reinforce what other tech heavyweights have shown recently about the health of the personal-computer industry: it's still wounded by the recession, but is staggering

back to its feet, thanks to consumers, bargain prices and little "netbook" laptops for surfing the Internet.

The Round Rock, Texas-based company reported Thursday that profit fell 23 percent and sales fell 22 percent in the May-July period. The results beat Wall Street's forecasts, however, sending the shares up more than 6 percent.

Dell's message was similar to those offered by rival Hewlett-Packard Co., the world's No. 1 PC seller, and supplier [Intel](#) Corp., the world's biggest computer chip maker, in their latest quarterly reports: consumers are coming back to the stores to buy PCs, but corporations are still being stingy.

[Dell](#) added that it might not be until 2010 that businesses open their wallets again. Analysts have been eyeing next year for a turnaround because companies will have new budgets, can't hold on to old PCs forever, and will have a new version of Microsoft Windows available.

Dell is hurt more than HP by anemic corporate PC buying, since about 80 percent of Dell's business comes from sales to businesses, government agencies and other institutions. Dell is the world's No. 2 PC maker.

Dell's sales to corporations fell 32 percent from last year to \$3.3 billion.

Dell's shipments of consumer PCs increased 17 percent over last year, while revenue in that category was down 9 percent to \$2.9 billion. Price-cutting explains the discrepancy. PC makers have been slashing prices to preserve market share. Consumers also have been favoring netbooks, which generate lower profit margins for manufacturers.

Michael Dell, the company's CEO, said in a statement that Dell expects

better revenue in the second half of the year compared to the first half, if current demand trends continue. But the company warned that its profits will continue to be pressured by "aggressive" pricing and higher costs for components like LCD screens and memory chips.

Dell's profit was \$472 million, or 24 cents per share, in the three months ended July 31. That compares with profit of \$616 million, or 31 cents per share, in the year-ago period.

The latest profit figure includes 4 cents per share in pretax expenses connected to Dell's ongoing restructuring.

Sales fell 22 percent to \$12.8 billion.

Analysts polled by Thomson Reuters expected profit of 23 cents per share on \$12.6 billion in sales. Analysts generally exclude one-time items, like restructuring charges, from their estimates.

Dell's latest numbers were released early, right before the market closed, and Dell stock jumped 6.7 percent to end regular trading up 98 cents at \$15.65. They added 48 cents, or 3 percent, to \$16.13 in after-market trading.

While the numbers were ahead of Wall Street's forecasts, analysts said the steep revenue and profit erosion was still troubling.

"It's hard to say something positive when you have such a significant revenue decline - it was not a great quarter," said Charles Smulders, a vice president with market research firm Gartner Inc. "HP had a tough time too, but clearly they have a stronger focus on consumer PCs, so that plays in their favor, since much of the demand is coming from the consumer market."

Smulders said Dell is managing the business well and cutting costs effectively, but said "clearly you can only do that for a certain length of time. You have to drive revenue. That's what we're looking for in the next few quarters."

Dell is trying to save \$4 billion a year in a major makeover as it tries to hold its ground against mounting threats from rivals. HP and No. 3 PC vendor Acer Inc. have both gained market share while Dell's share has slipped.

One way Dell is saving money is by trimming staff. After a deep round of layoffs the company's head count fell by 9,300 last year to 78,900 at the end of January. Dell is also changing the way its computers are designed, made and sold, relying now more on contract manufacturers and retailers. The restructuring has also included an overhaul of how Dell's business units are organized.

©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Dell's numbers show PC industry staggering back (2009, August 27) retrieved 26 April 2024 from <https://phys.org/news/2009-08-dell-pc-industry-staggering.html>

<p>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.</p>
--