

Dell's profit, stock drop on weak quarterly report

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In this June 30, 2009 file photo, a man works behind Dell laptops on display at a computer store in Beijing, China. Dell Inc. reports quarterly earnings after the market close Thursday, Nov. 19, 2009. (AP Photo/Greg Baker, file)

(AP) -- Some of the computer-industry's biggest players - such as IBM Corp., Intel Corp. and Hewlett-Packard Co. - have wowed Wall Street this fall with stronger-than-expected profits.

Dell Inc. didn't join them Thursday.

The company reported a 54 percent drop in net income and a 15 percent decline in revenue in its latest quarter, both steeper than analysts had forecast.

Dell's shares fell almost 6 percent in extended trading.

The numbers show that Dell isn't fully benefiting from the industry's fledgling recovery, even though the company is seeing improvement in some areas.

"We are already seeing more client activity in the last 30 to 60 days than we have in a long time," Michael Dell, the company's CEO, said on a conference call with analysts.

Dell has been hurt more than its peers because of tightened spending by corporations and large government agencies, which make up 80 percent of Dell's revenue.

Meanwhile, rivals such as Hewlett-Packard Co. and Acer Inc. have boosted their market share by exploiting their bigger presence in retail stores. That has been a big weapon because consumer interest in little laptops called "netbooks" has helped the PC industry start to pull out of its worst slump in years.

In the last quarter, Acer replaced Dell as the world's No. 2 personal computer maker. Dell has said it is willing to lose some market share rather than lower prices too much. That is a key part of Dell's strategy to improve profitability - an effort that has included a huge restructuring.

Dell's work force was trimmed by 9,300 last year to 78,900 at the end of January, the last time the company gave employment figures. It also has changed the way it makes and sells computers, leaning more on contract manufacturers and retailers instead of doing everything in house.

Dell is also trying to expand into more profitable markets through acquisitions. The most significant is Perot Systems Corp., a technology-services company that Dell is buying for \$3.9 billion. The deal is a move

against HP, which paid \$13.9 billion for another services company, Electronic Data Systems Corp.

The changes haven't been enough to lift Dell's profit. Net income fell to \$337 million, or 17 cents per share, in its latest quarter, which ended Oct. 30. That compares with \$727 million, or 37 cents a share, in the same period a year ago.

Revenue fell 15 percent to \$12.9 billion.

Analysts polled by Thomson Reuters expected Dell to earn 28 cents per share on \$13.2 billion in revenue in the latest quarter.

Dell, which is based in Round Rock, Texas, said it expects revenue in the current period to be better than in the prior quarter, but it attributes that to the seasonal benefit of consumers buying PCs around the holidays.

Dell's restructuring hasn't won over investors. The stock has fallen more than 30 percent over the last two years. Its shares fell 92 cents to \$14.95 in extended trading after the earnings report.

HP reports its quarterly numbers Monday. The company has already revealed preliminary results that topped Wall Street's expectations and raised its 2010 guidance.

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