

HP profit jumps on cost cuts, new market expansion

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In this March 8, 2009 file photo, the Hewlett-Packard Co. facility in Palo Alto, Calif., is shown. Hewlett-Packard Co. releases quarterly earnings after the market close Monday, Nov. 23, 2009. (AP Photo/Paul Sakuma, file)

(AP) -- Hewlett-Packard Co.'s cost-cutting and push into new markets is helping soften the blow from weakness in the company's mainstay businesses.

HP on Monday reported big revenue declines in four of its main divisions - PCs, servers, software and printers - in the latest quarter. A bright spot was technology services, a division HP beefed up last year

with the \$13.9 billion acquisition of Electronic Data Systems and which posted better profits. HP is eliminating 24,600 jobs as part of that takeover.

HP's numbers reinforce trends other companies have reported: Consumers and China are showing stronger demand, while businesses remain hesitant. Other tech heavyweights such as Google Inc., IBM, Intel Corp. and Microsoft Corp. have reported better conditions in some of their businesses.

HP said after the market closed that its earnings jumped 14 percent to \$2.4 billion, or 99 cents per share, in the three months ended Oct. 31. That compares with \$2.1 billion, or 84 cents per share, in the year-ago period.

Excluding one-time items, net income totaled \$1.14 per share. Sales fell 8 percent to \$30.8 billion, or dropped 5 percent if currency fluctuations are stripped out. By both metrics, the results exceeded the expectations of analysts polled by Thomson Reuters.

HP also added \$8 billion to its stock buyback program, boosting the total amount available to \$12 billion.

HP's latest moves represent a shift away from the company's dependence on the PC market, which is vulnerable to swings in consumer and corporate spending, as well as to fluctuations in prices for components like memory chips and LCD screens. On the other hand, companies will pay for things like outsourcing services even in lean times, because they save money in the long run. IBM has ridden that model to better profits in the recession, despite slumping sales.

The PC division supplies a third of HP's revenue but just 15 percent of the company's operating profit, numbers that are getting slimmer as PC

makers aggressively cut prices to court cash-strapped consumers and people snap up little laptops called "netbooks" that sell for just a few hundred dollars.

In the latest period, HP's PC shipments rose 8 percent, but revenue in the PC division fell 12 percent. The trend has hurt other PC makers as well. Last week, Dell Inc., the No. 3 PC maker, disappointed investors by reporting a 54 percent drop in net income in its latest quarter.

Still, HP's results support Gartner Inc.'s report Monday that the third quarter was "much stronger" than expected for PC sales. Gartner is now predicting that PC shipments will rise 2.8 percent this year, up from a prior forecast for a 2 percent decline.

HP, which is buying 3Com Corp. for \$2.7 billion to expand computer networking, announced its preliminary results on Nov. 11, so investors knew what was coming. Still, some apparently expected even better.

HP shares dipped 32 cents to \$50.70 in extended trading, having closed up 2 percent at \$51.02 ahead of the earnings report.

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