

# IBM's profit rises 9 pct, revenue growth resumes

January 19 2010, By JORDAN ROBERTSON , AP Technology Writer

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In this photo made Jan. 11, 2010, a sign for IBM is shown in New York. IBM is expected to release fourth-quarter financial results after the close of the market on Tuesday, Jan. 19, 2010. (AP Photo/Mark Lennihan)

(AP) -- IBM Corp. said Tuesday that it managed a 9 percent increase in profit in the last quarter as the technology company's revenue grew for the first time in a year and a half.

It also offered a slightly better forecast for 2010, although IBM already had been telling investors it was "well ahead" of the pace it would have needed to reach its previous target. IBM shares dipped in extended trading.

The revenue boost in the latest quarter, which ended Dec. 31, was just under 1 percent. And it was helped by currency fluctuations. At constant

values for the dollar, IBM's revenue would have dropped 5 percent. But even the slight increase was notable because the last time IBM's revenue had risen was the July-September quarter in 2008. Some analysts have been worried that IBM would have trouble continuing its streak of using cost cuts to squeeze out higher profits.

Still, the stock slipped \$2.68, or 2 percent, to \$132.00 in extended trading, possibly because investors were expecting even better. IBM shares had risen 1.8 percent to close at \$134.14 before the earnings report.

"I think IBM is really doing great. Having said that, it's difficult to get excited at this valuation of it - we're talking a single-digit revenue growth company," said Brian Marshall, an analyst with Broadpoint.AmTech. "When I look at the environment improving, there's going to be a lot more leverage at other companies."

IBM said it earned \$4.8 billion, or \$3.59 per share in the last three months of 2009, up from \$4.4 billion, or \$3.27 per share, a year earlier. Analysts surveyed by Thomson Reuters expected \$3.47 per share.

Revenue was \$27.2 billion, versus \$27.0 billion in the fourth quarter of 2008. Analysts had expected flat revenue of \$27.0 billion.

IBM's revenue in services and software rose, while hardware fell. However, the hardware division's decline wasn't as steep as in previous quarters.

IBM's results don't always track with the direction of the overall economy, but the higher revenue is a sign that corporations are resuming to normal patterns of spending on technology. IBM also said it signed \$18.8 billion in new services contracts in the quarter, up 9 percent from a year earlier. Revenue from those contracts mostly will be booked in the

coming years.

Intel Corp. offered this earnings season's first indication of a tech recovery last week. Intel posted higher revenue and the company's highest-ever gross profit margin, driven in large part by better sales of microprocessors for server computers. That shows corporations are spending more on their computing systems after keeping tighter budgets during the recession.

IBM said it expects profit of at least \$11 per share in 2010. That is higher than IBM's previous prediction for \$10 to \$11 per share in profit.

In the first quarter, revenue is expected to be \$22.8 billion to \$23.0 billion. Analysts were predicting \$22.3 billion.

IBM, which is based in Armonk, N.Y., has impressed investors by wringing more profit even in bad times. To do it, IBM has leaned on its ability to cut its own costs and to sell its technology services as a way for other companies to save money. IBM shares have risen more than 50 percent in the past year.

For all of 2009, IBM's net income rose 9 percent to \$13.4 billion while revenue fell 8 percent to \$95.8 billion.

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Citation: IBM's profit rises 9 pct, revenue growth resumes (2010, January 19) retrieved 14 August 2024 from <https://phys.org/news/2010-01-ibm-profit-pct-revenue-growth.html>

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