

IBM's earnings indicate tech spending picking up

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In this Nov. 24, 2008 file photo, an International Business Machines Corp. branch office is seen in New York. IBM Corp. releases quarterly earnings after the market close Monday, April 19, 2010. (AP Photo/Mark Lennifan, file)

(AP) -- IBM Corp. said Monday its first-quarter profit jumped 13 percent, and the company offered evidence that corporate technology spending is rebounding after the recession.

IBM said it earned \$2.6 billion, or \$1.97 per share, in the first three months of the year. In the same period of 2009 it earned \$2.3 billion, or \$1.70 per share.

The improvement came not just from cost cutting, which IBM relied on much of last year to raise profits. In the most recent quarter, revenue climbed 5 percent to \$22.9 billion.

The results beat the average analyst estimate of \$1.93 per share on revenue of \$22.8 billion, according to Thomson Reuters.

Even before Monday, there were signs that more businesses are spending again on technology such as computer servers and software after clamping down during the recession. Last week Intel Corp., the world's biggest chip maker, said its first-quarter income nearly quadrupled. And analysts at Gartner Inc. said worldwide information-technology spending is expected to rise more than 5 percent in 2010, after falling 1 percent in 2009.

On a conference call with analysts Monday, IBM's chief financial officer, Mark Loughridge, declined to give an opinion on whether the broader market for information technology has return to normal. But of IBM in particular, he said, "I feel like we've got a good hand going into the second quarter."

IBM said its first-quarter revenue would have been flat at constant currency rates. Deals in other currencies translate into more dollars when the U.S. currency is weak.

Although the revenue growth was tepid, it was a bigger increase than what the company had in the last three months of 2009. In that period, revenue grew just under 1 percent from the year before, and would have dropped 5 percent at constant currency values. Now, IBM says, its revenue growth in the current quarter should increase even without accounting for currency fluctuations.

IBM increased its 2010 earnings forecast to \$11.20 per share. Analysts were expecting \$11.12.

IBM's earnings report came out after IBM shares rose \$1.60, 1.2 percent, to close at \$132.23. In after-hours trading the stock fell 2.3 percent.

Investors might have been unhappy about the numbers in IBM's biggest division, which provides technology services and consulting and accounts for more than half of the company's revenue. Services revenue rose 4 percent to \$13.7 billion but would have fallen 2 percent from last year if not for currency fluctuations.

IBM's signings of new services deals also fell 2 percent during the first quarter, or 7 percent if not for currency adjustments. IBM signed contracts worth \$12.3 billion, which is revenue that will mainly be booked in the coming years.

IBM's most profitable division, software, increased its revenue 11 percent from a year ago to \$5 billion. The hardware group, which makes servers and high-end mainframe computers that big organizations use to manage information, rose its revenue 5 percent to \$3.4 billion.

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