

# IBM 4Q earnings beat estimates, revenue falls shy (Update)

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Information technology giant IBM said Thursday that its net income jumped 13 percent in 2011 on a seven percent rise in revenues, driven by surging business in dynamic emerging economies.

IBM Corp.'s fourth-quarter earnings handily beat Wall Street's expectations on Thursday, helped by higher revenue and profit margins in the technology icon's lucrative software and services segments.

The results and IBM's stronger-than-expected outlook for this year sent IBM's stock up more than 2 percent after hours. The company offered a welcome sign of stability amid the global economic turmoil that's prompting worries about a slowdown in technology spending by businesses and governments, who are IBM's customers.

One sore spot was revenue, which fell short of analyst expectations; the

rise in software and services revenue wasn't enough to offset a decline in hardware. Also, the stronger dollar is squeezing overseas revenue.

IBM earned \$5.49 billion, or \$4.62 per share, in the three months that ended Dec. 31. That's up 4 percent from \$5.26 billion, or \$4.25 per share, a year earlier. Adjusted earnings were \$4.71 per share, easily surpassing analysts' expectations of \$4.61 per share.

Revenue grew 2 percent to \$29.49 billion from \$29.02 billion. Analysts polled by FactSet had expected slightly higher revenue of \$29.7 billion.

IBM said currency shifts since its last quarterly report in October lowered fourth-quarter revenue by about \$300 million. The deepening economic crisis in Europe, along with the continuing weakness in the U.S. economy and signs of a slowdown in emerging markets are prompting worries about global companies like IBM.

But IBM has long said its long-term contracts insulate it from economic swings, and its full-year forecast is bright. IBM expects adjusted earnings of at least \$14.85 per share, above the \$14.77 per share that analysts are predicting.

New CEO Ginni Rometty said IBM is "well on track" toward its long-term goal of hitting at least \$20 per share in adjusted earnings in 2015 - a rare example of a long-term earnings target disclosed publicly by a such a large company.

Revenue rose at two of IBM's three largest divisions - software by 9 percent and services by 3 percent. Hardware revenue fell 8 percent. In the third quarter, IBM's services revenue grew 8 percent, its software revenue climbed 13 percent and its hardware revenue rose 4 percent.

By geography, IBM said revenue from the Americas grew 3 percent in

the fourth quarter. Revenue from Europe, the Middle East and Africa combined was up 1 percent and revenue from Asia increased 2 percent.

IBM said its new contract signings were \$20.4 billion in the fourth quarter, slightly above analysts' expectations. The company's services backlog at the end of the year was \$141 billion, up by \$4 billion from the end of the third quarter. Services backlog refers measures the value of work under contract that the company expects to book as revenue in future quarters.

For all of 2011, IBM earned \$15.86 billion, or \$13.06 per share, up 7 percent from \$14.83 billion, or 11.52 per share, a year earlier. Adjusted earnings were \$13.44 per share, above analysts' expectations of \$13.36 per share.

Revenue was \$106.92 billion, up 7 percent from \$99.87 billion in 2010. Wall Street was expecting \$107.08 billion.

The Armonk, N.Y.-based company's stock rose \$4.53, or 2.5 percent, to \$185.05 after hours. The stock had closed down 55 cents at \$180.52.

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