

IBM 1Q net down on software, mainframe deals delay (Update)

April 18 2013, by Barbara Ortutay



In this March 5, 2013, photo, made with a long exposure, visitors walk through the booths of IBM at the world's largest computer expo CeBIT in Hanover, Germany. Union Pacific Corp. reports quarterly financial results before the market opens Thursday, April 18, 2013. (AP Photo/dpa, Julian Stratenschulte)

IBM Corp.'s first-quarter net income fell 1 percent due to delays in closing several of the technology company's large software and mainframe computer deals. The results fell short of Wall Street's expectations, sending IBM's stock lower in after-hours trading.

IBM is seen as a good gauge of technology demand because it sells to

major companies and governments around the world. That said, it's not immune from economic uncertainty and currency fluctuations, which showed in the quarter's results.

IBM said Thursday that it earned \$3.03 billion, or \$2.70 per share, in the January-March period. That's down from \$3.07 billion, or \$2.61 per share, in the same period a year earlier. Last year's quarter had more outstanding shares, which lowers per-share results.

Earnings excluding one-time items were \$3 per share in the latest quarter, below Wall Street's expectations of \$3.05 per share.

Revenue fell 5 percent, to \$23.41 billion from \$24.67 billion. Analysts polled by FactSet had expected revenue of \$24.7 billion

"Despite a solid start and good client demand we did not close a number of software and mainframe transactions that have moved into the second quarter," said IBM CEO Ginni Rometty in a statement. "The services business performed as expected with strong profit growth and significant new business in the quarter."

Chief Financial Officer Mark Loughridge said on a conference call that weakness in the Japanese yen hurt the quarter's results. A weak yen translates to fewer dollars for IBM on sales in Japan. Adjusted for currency fluctuations, IBM said its revenue would have only declined by 3 percent for the quarter, rather than 5 percent.

IBM kept its full-year guidance intact. It still expects adjusted, per-share earnings of at least \$16.70 for 2013. Analysts predict \$16.77. Rometty said the company expects to close the delayed transactions and expects to benefit from investments in growth initiatives. She said IBM is also trying to improve the weaker parts of its business.

The company has been focusing on growing its software business, which is more profitable, over hardware.

Revenue from technology services declined 4 percent during the quarter, to \$9.6 billion, and business services revenue fell 3 percent, to \$4.5 billion. Software revenue was flat at \$5.6 billion, while hardware revenue dropped 17 percent to \$3.1 billion.

Shares of the Armonk, New York-based company fell \$7.55, or 3.6 percent, to \$199.60 in after-hours trading. Before the earnings announcement, the stock had closed down \$2.52, or 1.2 percent, at \$207.15.

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