

IBM 3Q revenue short of expectations, stock down (Update)

October 16 2013, by Bree Fowler



In this Tuesday, July 16, 2013, file photo, an IBM logo is displayed in Berlin, Vt. The company reports quarterly earnings on Wednesday, Oct. 16, 2013. (AP Photo/Toby Talbot, File)

IBM said Wednesday that its third-quarter net income rose 6 percent, but

its revenue fell and missed Wall Street's expectations by more than \$1 billion. The company's stock fell in extended trading.

The Armonk, New York, computing company earned \$4.04 billion, or \$3.68 per share, up from \$3.82 billion, or \$3.33 per share, in the same quarter last year. Excluding one-time charges, the company earned \$3.99 per share, above expectations of \$3.96.

Revenue dropped 4 percent to \$23.7 billion from \$24.7 billion. That fell short of the \$24.8 billion expected by analysts surveyed by FactSet. Adjusted for the effects of foreign currency exchange rates, the company said revenue fell 2 percent.

IBM is the world's largest technology-services company. Its results provide a gauge of businesses' appetite for technology spending. IBM has grown its earnings each quarter in the past decade, a streak that likely extended through the first quarter of this year.

The company's business has been stable because many of its customers sign long-term contracts that guarantee regular revenue, even when the economy is tough. It also helps that IBM no longer has a direct connection to the personal computer industry, where a sales slump has been hurting the makers of microprocessors and desktop and laptop computers.

Even so, revenue for its services business fell 3 percent. It's hurt by currency fluctuations, which can translate to fewer dollars IBM makes on overseas sales. Adjusting for that, services revenue would have been up 1 percent.

Systems and technology revenue tumbled 17 percent, and the division lost \$167 million during the quarter. Software revenue rose 1 percent.

In after-market trading, IBM shares fell \$11.08, or 6 percent, to \$175.65. They finished the regular session up \$2.07 at \$186.73.

IBM said results for the July-September period were helped by lower expenses, including a steep drop in its tax rate and the absence of \$408 million in charges related to job cuts that it logged in the year-ago period.

The company also noted that its revenue for Internet-based services is up more than 70 percent so far this year.

International Business Machines Corp. said it's working to improve results in certain growth markets and certain hardware businesses that are lagging. As a result, it still expects to post an adjusted 2013 profit of at least \$16.90 per share. Analysts expect earnings of \$16.87 per share.

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Citation: IBM 3Q revenue short of expectations, stock down (Update) (2013, October 16) retrieved 25 April 2024 from <https://phys.org/news/2013-10-ibm-3q-net-income-pct.html>

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