

IBM 4Q revenue continues to sag, 2015 outlook disappoints

January 20 2015



This Jan. 11, 2010 file photo shows a sign for IBM in New York. IBM is expected to release financial results after the market close on Tuesday, Jan. 20, 2015. (AP Photo/Mark Lennihan, File)

IBM's fourth-quarter net income dropped 11 percent as revenue in most categories continued to decline, and its outlook for the year disappointed investors.

Shares fell 2 percent in aftermarket trading.

The technology and consulting company has struggled with declining revenue over the last three years, as business customers have moved away from buying big mainframe computers and traditional software that's installed on their own systems. Revenue fell 12 percent in the latest quarter.

IBM has been spending heavily to develop new products, such as data analytics and artificial intelligence programs and "cloud" software that IBM delivers to customers over the Internet. But those new businesses have not grown as fast as the company hoped, while revenue has continued to fall in IBM's traditional software, hardware and technology services businesses.

On Tuesday, IBM said it expects operating earnings per share between \$15.75 to \$16.50 per share in 2015, while analysts expect \$16.59, according to FactSet. It had abandoned its goal of earning \$20 per share for 2015 in October.

As part of her campaign to turn around the company's business, CEO Virginia Rometty is trying to shed divisions that are a drag on profits. She sold off the company's low-end server hardware business last year and is paying chipmaker Global Foundries \$1.5 billion to take over IBM's microprocessor manufacturing operations.

In recent weeks, IBM has also announced some new products which it hopes will spur future growth. Working with Apple, it's begun releasing a series of specialized business applications for iPhones and iPads, designed for use by employees of airlines, telecom providers and other corporate customers. IBM also unveiled a powerful new mainframe computer earlier this month, which it says is designed to quickly and securely process billions of transactions in a day, to meet the needs of fast-growing mobile e-commerce companies.

"We are making significant progress in our transformation, continuing to shift IBM's business to higher value, and investing and positioning ourselves for the longer term," said CEO Virginia Rometty in a statement Tuesday.

Still, about two-thirds of IBM's revenue still comes from its traditional hardware, software and technology services businesses, according to a recent report by UBS analyst Steven Milunovich, issued before IBM released its latest earnings. He argued that IBM may be underestimating the rate at which those businesses are slowing.

For the fourth quarter, the Armonk, New York-based company said Tuesday that net income came to \$5.49 billion, or \$5.51 per share, from \$6.19 billion, or \$5.73 per share in the October-December period in 2013.

Earnings, adjusted for costs related to mergers and acquisitions and non-recurring costs, were \$5.81 per share. The average estimate of analysts surveyed by Zacks Investment Research was for earnings of \$5.41 per share.

Revenue was \$24.11 billion. Analysts expected \$24.65 billion, according to Zacks.

Shares slipped \$3.15 to \$153.80 in aftermarket trading. The stock has dropped 17 percent in the last 12 months.

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Citation: IBM 4Q revenue continues to sag, 2015 outlook disappoints (2015, January 20)
retrieved 10 April 2024 from <https://phys.org/news/2015-01-ibm-tops-4q-profit-revenue.html>

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