

Cost cuts boost 4Q profit for Xerox during slump

21 January 2010, By ANDREW VANACORE , AP Business Writer



In this July 23, 2009 file photo, a Xerox scanner is shown on display at a computer store in Santa Clara, Calif. Xerox Corp. releases fourth-quarter financial results Thursday. Xerox Corp. said Thursday, Jan.21, 2010, its cost-cutting efforts last year helped boost fourth-quarter profits. It also forecast a profit for this year above Wall Street estimates.(AP Photo/Paul Sakuma, file)

(AP) -- Xerox Corp. said Thursday that cost cutting boosted its fourth-quarter earnings. And it forecast a bigger-than-expected profit for this year, when it will fuse with Affiliated Computer Services Inc. to try to jump-start growth.

The company's shares jumped 30 cents, or 3.4 percent, to \$9.19 in midday trading.

Xerox chief Ursula Burns, who took the reins last July, said revenue has improved "modestly," especially in developing markets.

But she added, "We believe revenue will continue to be under pressure until there is a more sustainable economic recovery."

Though sales fell in the fourth quarter as businesses continued to scrimp on new equipment and supplies, Xerox said it earned \$180 million, or 20 cents per share. That compares with a break-even quarter at the end of 2008, when the

[recession](#) was deepening.

Excluding charges related to its planned acquisition of ACS, which provides technology services for other companies, earnings came to 25 cents per share.

Revenue fell 3 percent to \$4.2 billion. Equipment sales were down 11 percent and post-sale revenue, which includes ink and paper sales as well as services, was flat.

The results topped Wall Street projections. On average, analysts were looking for 22 cents a share on sales of \$3.9 billion, according to Thomson Reuters. Analysts typically exclude special items from their estimates.

For Xerox, the fourth quarter capped a year of scrambling to make do with less. While revenue slid 14 percent in 2009, the company's profit more than doubled from the year before to \$485 million. It accomplished that by laying off about 3,000 employees - 5 percent of the work force - reducing benefits and freezing salaries.

Burns said the company is still focused on keeping a lid on expenses until sales bounce back. It expects to take a \$250 million charge in the first quarter related to cost-cutting moves.

But not all of those cost savings are sustainable, as Xerox [Chief Financial Officer](#) Larry Zimmerman acknowledged Thursday a conference call.

"Our people have done a great job. They deserve to get raises, they deserve to have some of their 401(k) come back," he said.

To drive growth, Xerox is focused on building its services business. Xerox manages printing and documents for other companies and says that business has held up well as companies look to cut costs by outsourcing.

ACS, which Xerox agreed to buy last year for about \$6 billion in cash and stock, handles bigger outsourcing jobs, managing electronic toll payments and processing health care records. Xerox said the acquisition is set to close next month.

[Xerox](#), which is based in Norwalk, Conn., projected earnings per share for the year of 75 cents to 85 cents per share, excluding one-off charges. That was better than the 70 cents per share analysts were looking for.

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