

Dell 4Q profit edges down 5 percent; stock falls

February 18 2010, By JESSICA MINTZ , AP Technology Writer



In this March 1, 2007 file photo, a Dell computer logo is shown in Dallas. Dell Inc. on Thursday, Feb. 18, 2010 said its net income fell 6 percent in the most recent quarter. (AP Photo/LM Otero, File)

(AP) -- Dell Inc. said Thursday its net income fell 5 percent in the last quarter despite early signs that businesses may be starting to buy new computers again.

Consumers snapped up low-cost laptops and smaller netbooks over the holidays, pushing Dell's PC shipments up 29 percent. Those products are less lucrative, though, and Dell's revenue and profit in the consumer PC division grew much more slowly. Dell's profit margin was below expectations, and its shares fell 7 percent in Friday trading.

Revenue from businesses, which makes up about half of Dell's total, grew 9 percent from last year. During a conference call, Dell's chief financial officer, Brian Gladden, said many corporations were buying servers, a trend that also appeared in recent reports from Hewlett-Packard Co. and Intel Corp. But he added that companies were also starting to buy new laptops, a sign that corporate spending on technology might be coming out of its recession-induced slump.

CEO Michael Dell said some of the increase could be attributed to technology executives spending what was left of their budgets for the calendar year, the so-called end-of-year "budget flush."

However, demand has remained strong in January and into the current first quarter. In part, Dell credited the arrival of Microsoft Corp.'s newest computer operating system, Windows 7.

Many companies skipped Microsoft's last update, Windows Vista. Then, the recession caused those companies to hold on to aging computers longer than usual, and they can't wait much longer to upgrade.

Dell did not provide guidance for the current first quarter, but Gladden said the company is cautiously optimistic that corporate demand for its products will continue.

For the three months ended Jan. 29, Dell said earnings slipped to \$334 million, or 17 cents per share. That was down from \$351 million, or 18 cents per share, a year ago.

The figures include Dell's acquisition of Perot Systems, a technology services company that has many customers in the public sector. Excluding the costs of the acquisition, Dell said it earned 28 cents per share.

Analysts surveyed by Thomson Financial had forecast earnings of 27 cents per share on the same basis.

Dell's revenue increased 11 percent to \$14.9 billion. Analysts had been expecting \$13.8 billion in revenue.

On an adjusted basis, Dell's gross profit margin was 17.4 percent of its revenue, lower than the 18 percent analysts were expecting. Gladden attributed the shortfall to the popularity of less-profitable consumer PCs and higher costs of some PC components.

Dell's results followed Wednesday's report from its larger competitor HP, which reported strong consumer PC and business server sales. The same trends were noted by Intel in January.

For its full fiscal year, Dell said its net income plunged 42 percent to \$1.4 billion, or 73 cents per share, from \$2.5 billion, or \$1.25 per share, in fiscal 2009. Revenue fell 13 percent to \$52.9 billion from \$61.1 billion.

Dell shares fell \$1.09, 7.6 percent, to \$13.34 in trading Friday morning.

(This version corrects headline and text with net income down 5 percent. Earnings per share fell 6 percent.)

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