

EMC's net income jumps as tech spending improves

JORDAN ROBERTSON - AP Technology Writer - Associated Press

EMC Corp. cranked out a 61 percent increase in net income in the fourth quarter, the biggest maker of data storage computers said Tuesday, with sales fueled by an acceleration in technology spending.

But there was a broad sell-off in technology shares on fears that companies won't grow as fast in 2011 as they did in 2010, when spending by businesses rebounded strongly from the depths of the Great Recession.

Overshadowing a forecast that topped Wall Street's expectations, the company's majority owned VMware Inc. predicted little, if any, profit margin expansion this year.

The leading maker of "virtualization" software has been forced to spend heavily to fight off a threat from Microsoft Corp and many believe the pace of VMWare's sale of new licenses will slow.

EMC shares declined 33 cents, or 1.4 percent, to \$23.50. VMware shares fell \$5.17, or 5.9 percent, to \$82.56.

Analyst Daniel Ives with FBR Capital Markets wrote that the outlook was a "positive indicator for EMC" and the overall information technology market, but that VMware's "less-than-stellar" forecast is weighing on shares despite strong trends in that business as well.

With corporations replacing old equipment and software again, both companies have benefited from a shift to "cloud" computing, in which software and data are stored on remote servers rather than in-house machines.

The latest was the fifth straight quarter of earnings growth for EMC.

Before the market opened, EMC reported earnings of \$628.6 million, or 29 cents per share, in the last three months of 2010. That's up from \$390.6 million, or 19 cents per share, in the same quarter a year ago.

Excluding special items, EMC says it earned 42 cents, edging out by a penny the consensus estimates of analysts surveyed by FactSet.

Revenue climbed 19 percent to \$4.9 billion from \$4.1 billion. Analysts expected \$4.8 billion.

The company's 2011 adjusted earnings-per-share forecast of \$1.46 also topped

EMC's net income jumps as tech spending improves

Published on Electronic Component News (<http://www.ecnmag.com>)

analyst forecasts by a penny. The company's revenue expectation of \$19.6 billion was higher than Wall Street's prediction for \$19.0 billion.

Still, the expected revenue growth rate is slower than the increase from 2009 to 2010 — a reality for many large tech companies.

On Monday, VMware reported that its fourth quarter earnings more than doubled, but cautioned that while 2010 was "tremendous" for the company, VMware and the tech industry were benefiting from pent-up demand — and won't have that advantage this year.

Tech upgrade cycles for businesses typically last a few years. With about a year or so down in the latest one, market watchers are trying to gauge how much longer the current cycle will last. Paul Otellini, the CEO of computer chip maker Intel Corp., offered a clue recently, saying that he thinks the cycle isn't at its halfway point yet.

Gartner Inc. expects worldwide spending on information technology to hit \$3.6 trillion in 5 percent increase over 2010.

As spending has ratcheted up, so has competition — and hiring.

EMC added 1,600 workers in the latest quarter, bringing its total to about 48,500. The company, based in Hopkinton, Massachusetts, added a total of 5,400 workers in 2010. Those figures include VMware employees.

EMC had earlier cut some 2,400 jobs as part of a restructuring announced in 2009 to cut \$500 million in costs.

For all of 2010, EMC's net income nearly doubled to \$1.9 billion while revenue rose 21 percent to \$17.0 billion.

—

AP Technology Writer Andrew Vanacore contributed to this story from New York.

Source URL (retrieved on 05/25/2013 - 9:59am):

<http://www.ecnmag.com/news/2011/01/emcs-net-income-jumps-tech-spending-improves>