Dell cautiously optimistic on Europe and Asia

Dell is cautiously optimistic that its strong performance in Europe and Asia will continue, but is concerned about U.S. government spending, an executive said.

Steve Schuckenbrock, who runs the U.S. company's $8 billion services business, told Reuters it was yet to be seen whether a typical September spending surge as U.S. federal budgets close would happen this year.

"We're continuing to monitor demand big-time, as European issues, U.S. issues continue to get debated and discussed," Schuckenbrock said in an interview in London on Tuesday.

Dell, which had been predicting 5 to 9 percent revenue growth this fiscal year, cut its forecast to between 1 and 5 percent last month, even though sales in growth markets outside north America, western Europe and Japan increased revenues by 14 percent, accounting for 28 percent of sales.

"We're very happy with the performance of both Asia and EMEA throughout the second quarter ... so we're cautiously optimistic about both of those continuing," Schuckenbrock said.

Dell, an economic bellwether because of its dependence on government, corporate and consumer technology spending worldwide, has been diversifying from hardware into higher-margin services, but at a slower pace than some rivals.

Hewlett-Packard Co said last month it planned to spin off its PC business and would buy enterprise search software company Autonomy Corp Plc for about $11 billion, in a strategic shift under new CEO Leo Apotheker.

IBM sold its PC division to China's Lenovo Group six years ago.

NO HARDWARE EXIT

Schuckenbrock said Dell had no intention of following in their footsteps by selling its hardware business and could benefit from HP customers' uncertainty as the company may take up to 18 months to make a definite plan for its PC unit.

"We've never even discussed exiting the hardware business and so we're quite delighted to go tell customers we're here for the long haul," he said.

Dell began offering multi-vendor support for customers running non-Dell hardware or wanting to migrate to Dell two months ago in the United States, and has just begun to offer the same service in Europe.

Schuckenbrock said Dell had already signed up two major U.S. customers, before or

around the time of the HP announcement.

Dell has, however, made 10 acquisitions totaling more than $6 billion in the last 18 months to beef up its capabilities in areas like storage, security and database management -- and Schuckenbrock said there would be more to come.

The company was particularly keen to expand its services offering in Europe and was interested in software applications companies with expertise in particular industries, or verticals, like financial services, education or retail, he said.

Schuckenbrock said Dell, which has more than $16 billion in cash, was more interested in small or medium-sized acquisitions of up to $1.5 billion than mega-mergers that would come with unwanted legacy technology and could be hard to integrate.

"What I don't want to buy is a company that has hundreds of outsourcing contracts that are kind of baked in yesterday's customized services models.

"I think we want to lean very hard into where is the industry going, which is cloud," he said, referring to cloud computing, in which data and software are stored and processed remotely in large data centers and delivered back to customers over the Internet.

Schuckenbrock said a major barrier to wider adoption of cloud computing was the pain of moving software applications into the cloud, and said Dell was therefore focused on buying companies which were strong in the applications business.

"That opens up the possibilities of companies across Europe a lot, because there are a good number of companies with talent in the applications arena, some of which are focused on one vertical," he said.

(Editing by David Holmes)

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