

IBM reports higher 4Q earnings, revenue

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IBM Corp.'s fourth-quarter earnings handily beat Wall Street's expectations on Thursday, helped by higher revenue and profit margins in the technology icon's lucrative software and services segments.

The results and a stronger-than-expected earnings outlook for the year sent IBM's stock up more than 2 percent after hours. It was a welcome sign of stability amid the global economic turmoil that's prompting worries about a slowdown in technology spending by businesses and governments - that is, IBM's customers.

One sore spot was revenue, which fell short of analyst expectations as strength in software and services was not enough to offset declines in IBM's hardware segment. In addition, the stronger dollar is squeezing overseas revenue.

IBM earned \$5.49 billion, or \$4.62 per share, in the three months that ended Dec. 31. That's up 4 percent from \$5.26 billion, or \$4.25 per share, a year earlier. Adjusted earnings were \$4.71 per share, easily surpassing analysts' expectations of \$4.61 per share.

Revenue grew 2 percent to \$29.49 billion from \$29.02 billion. Analysts polled by FactSet had expected slightly higher revenue of \$29.7 billion.

IBM said currency shift since its last quarterly report in October lowered fourth-quarter revenue by about \$300 million. The deepening economic crisis in Europe, along with the continuing weakness in the U.S. economy and even signs of a slowdown in emerging markets are prompting worries about how global companies such as IBM will fare in coming quarters. But IBM has long stressed that its focus on long-term contracts insulates it from economic swings.

The company's full-year forecast seems to support this. IBM expects adjusted earnings of at least \$14.85 per share, above the \$14.77 per share that analysts are predicting.

New CEO Ginni Rometty said IBM is "well on track" toward its long-term goal of hitting at least \$20 per share in adjusted earnings in 2015 - a rare example of a long-term earnings target disclosed publicly by a such a large company.

Revenue rose at two of IBM's three largest divisions - software by 9 percent and services by 3 percent. Hardware revenue fell 8 percent. In the third quarter, IBM's services revenue grew 8 percent, its software revenue climbed 13 percent and its hardware revenue rose 4 percent.

The Armonk, New York, company's stock rose \$4.58, or 2.5 percent, to \$185.10 after hours. The stock had closed down 55 cents at \$180.52.

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