NetApp results meet estimates, spark relief rally

Jim Finkle, Reuters

Data storage equipment maker NetApp Inc reported results in line with Wall Street projections, news that sent its shares surging nearly 8 percent in relief after disappointing results in past quarters.

Chief Executive Tom Georgens said year-end corporate spending was stronger than he anticipated.

"In a so-so environment we had good geographical breadth and we had good customer acquisition," he said. "There were certainly a lot of things that could have gone against us that didn't."

Still, Georgens cautioned that his company had seen weakness from one large customer group: U.S. military agencies, a category that includes the Department of Defense and intelligence organizations.

NetApp issued fourth-quarter sales and profit forecasts that were in line with Wall Street projections.

"While things are not overly robust they seemed a little better than they were 90 days ago," Georgens told Reuters, saying that assessment did not include the U.S. defense market.

The company reported profit, excluding items, of 58 cents per share, in its third quarter ended January 27, meeting the average analyst forecast, according to Thomson Reuters I/B/E/S.

NetApp reported revenue of $1.57 billion, slightly ahead of the average analyst forecast of $1.56 billion.

NetApp's stock has underperformed the overall stock market over the past six months as its revenue missed Wall Street projections in the prior two quarters.

Its shares had fallen about 4 percent in the six months through Wednesday, while the Nasdaq Composite Index gained some 16 percent.

NetApp's bigger rival, EMC Corp, whose sales have exceeded estimates in its two most-recent periods, saw its stock rise about 18 percent during the same period.

ThinkEquity analyst Rajesh Ghai said investors should not get too enthusiastic about NetApp simply meeting Street projections.

He estimates that third-quarter revenue was up about 9 percent from a year earlier, after excluding the impact of acquisitions. That is far slower than the 30 percent growth it posted in its most-recent fiscal year, which ended in April 2011.

"Demand is not falling off a cliff. There is no question about that. But there is some slowdown," he said.

NetApp also competes with Dell Inc and Hewlett-Packard Co, which release their quarterly results next week.

Its shares rose 7.6 percent in extended trading to $42.92 from their New York Stock Exchange close of $39.88.

(Reporting By Jim Finkle; editing by Andre Grenon)

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