

IBM reports higher 1Q earnings, flat revenue

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IBM Corp.'s stock fell after the company reported flat revenue, even as net income grew 7 percent in the first three months of the year, thanks to strong profit margins in its services business.

IBM's earnings beat Wall Street's expectations, but that is often the case with the technology bellwether. Investors appeared more worried that revenue fell shy of estimates. The stock, which recently hit its highest level ever, fell about 2 percent in extended trading Tuesday after first-quarter results came out.

IBM earned \$3.07 billion, or \$2.61 per share, in the January-March period. That's up from \$2.86 billion, or \$2.31 per share, a year earlier. Excluding special items such as acquisition costs and pension-related expenses, it earned \$2.78 per share in the latest period, well above the \$2.66 per share that analysts were expecting.

Revenue was flat at \$24.7 billion. Software and services revenue increased, but IBM's hardware and financing segments saw a decline. The company has been focusing on its software and services offerings lately, which have higher profit margins.

Analysts, on average, were expecting revenue of \$24.82 billion.

The revenue miss, though narrow, raised questions about IBM's ability to bring in enough new business to keep growing, even as it is able to squeeze out big profits from its software and services units.

IBM, which is based in Armonk, N.Y., also raised its full-year guidance. It now expects adjusted earnings of at least \$15 per share. That's up from its earlier outlook of at least \$14.85 per share. Analysts were expecting \$14.93 per share.

IBM's long-term goal is to reach at least \$20 per share in adjusted earnings by the end of 2015 — a rare example of a long-term target by a major company.

By segment, IBM's software revenue grew 5 percent to \$5.6 billion and hardware revenue fell 7 percent to \$3.7 billion. Technology services revenue grew 2 percent to \$10 billion and business services revenue slid less than 2 percent to \$4.6 billion.

IBM also said Tuesday that it is selling its retail store solutions business to Toshiba TEC Corp. for \$850 million.

IBM's stock fell \$3.95, or 1.9 percent, to \$203.50 in after-hours trading Tuesday. During the regular session, the stock gained \$4.73, or 2.3 percent, to close at \$207.45. The stock hit a record high of \$210.69 on April 3.

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