

IBM's 3Q earnings flat, revenue slides 5 percent

The Associated Press

IBM's third-quarter earnings held steady, despite the economic jitters that contributed to a steeper decline in revenue than Wall Street anticipated.

The results announced Tuesday included a last-minute \$160 million charge that the technology services and business software company absorbed for a U.K. court decision that will increase its costs for paying pensions to some of its retired employees. The adverse court decision came at the end of last week.

Investors seemed more concerned with IBM's revenue, which dropped 5 percent from the same time last year and missed analyst estimates by about \$700 million. IBM attributed the shortfall to a turmoil that has caused the euro and other currencies to weaken during the past year.

Those currency fluctuations translated into fewer U.S. dollars on the sales that IBM made in Europe and several other countries. Analysts had factored the strengthening dollar into their projections, but apparently underestimated the impact.

IBM also saw stronger customer demand earlier in the quarter, according to Mark Loughridge, the company's chief financial officer. The environment became challenging in September, Loughridge told analysts in a conference call.

The company, which is based in Armonk, New York, still stood by its previous forecast for its full-year earnings.

But the revenue shortfall and the specter of sputtering demand for IBM's products and services apparently unnerved some investors. IBM shares shed \$7.30, or 3.5 percent, to \$203.70 in extended trading after the numbers came out.

IBM Corp. earned \$3.8 billion, or \$3.33 per share, in the July-September period. The company delivered the same net income a year ago, but its per-share earnings were 14 cents lower in the 2011 quarter because the company had more outstanding stock then.

It marked the 39th consecutive quarter in which IBM delivered higher per-share earnings than the previous year.

If not for the costs of past acquisitions and retirement charges, IBM said it would have earned \$3.62 per share. On that basis, IBM exceeded the average analyst estimate as polled by FactSet.

Revenue for the quarter totaled \$24.7 billion compared with \$26.2 billion at the same time last year. Analysts, on average, had projected revenue of \$25.4 billion.

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